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c .. .. Correspondence
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n .. .. Weekly Notes

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TABLE "A."

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Leading Articles.

Our Thirty-Sixth Volume.

WE take the opportunity afforded by our present issue, which commences the thirty-sixth volume of *The Accountant*, to thank our readers for the support that they have given us during 1906, which has been especially manifest in the greatly increased interest that has attached to our Correspondence columns. The contributions there appearing have naturally not been all equally instructive, but, upon the whole, we venture to think that they have

been of value to those who desire to increase their knowledge in matters of professional theory or practice. We welcome them especially, however, because these contributions show that a larger number of practitioners and accountant students are taking an active interest in their profession. It is unnecessary to go back for any very great number of years to realise that in each successive year the knowledge of the science of accountancy is placed upon a higher plane, whence it necessarily follows that those who wish to secure a good place in the race must perforce move with the times.

In the year that lies before us it seems probable that several questions of the greatest moment to professional accountants may be decided. The Departmental Committee appointed to deal with the question of Municipal Accounts will doubtless shortly report, and upon its report will probably be framed legislation which in one way or another cannot fail to be of interest to the profession. It is, of course, as yet too soon to hazard any forecast as to the probable trend of events, although it seems doubtful in the extreme whether they are likely to prove favourable to professional interests; but, however that may be, it seems hardly reasonable to expect the State to go out of its way to place business in the hands of the profession until the profession has demonstrated beyond all doubt that it is capable of executing that business better than it has ever yet been done. Those local authorities which employ professional auditors, it is needless to remark, derive the greatest possible benefits from so doing, but it cannot yet be truthfully stated that the profession as a whole has very seriously studied all of the various problems in accounting and finance that are peculiar to these concerns. It may be permissible, therefore, to point out that the profession as a whole has not yet done all that lies in its power to secure that these matters may be placed upon a better basis by the Legislature.

The Bankruptcy Law Amendment Committee has also yet to report upon the result of its deliberations. Here, again, there seem some grounds for fearing that any legislative action that may be embarked upon is likely to be favourable to officialism, rather than to the profession. If it be desired only to improve the efficiency of the administration of insolvent estates, the task before the Board of Trade is a comparatively simple one: it has only to amend the Deeds of Arrangement Act, 1887, in the directions that we have already indicated in these columns, and to provide more satisfactorily, and more reasonably, for the conditions obtaining when such a deed is rendered void by a subsequent bankruptcy, and in cases where a debtor is adjudicated bankrupt a second time without having first obtained his discharge in the previous failure. Here again, however, rumour has been somewhat busy, and its whisperings have not, so far, brought much comfort to the profession.

There seems, therefore, only too much reason to suppose that during 1907 accountants will be called upon to look after their interests far more closely than has ever yet been necessary; and this consideration revives the oft-repeated question as to whether its interests could not be best protected by a united profession, rather than by a number of disunited, and more or less opposed, Institutes and Societies.

We trust that during the coming year, as in the past, our readers will resort freely to our Correspondence columns for the ventilation or

discussion of all points likely to prove of general interest; and we should like to again remind them that the only reasonably efficient "intelligence department" of a newspaper is that provided by the general body of its readers. We trust, therefore, that an increasing number will provide us from time to time with early information as to happenings of interest, so that these matters may be duly commented upon or reported in these columns.

The Public Trustee Act.

THE Public Trustee Act, which received the Royal assent on the 21st ult., but which does not come into force until the 1st January 1908, may be regarded as having passed through the Commons largely in consequence of a "fluke." Quite up to the last days of the session it was generally regarded as being impossible that the Bill could reach its third reading, but when the Leader of the Opposition relinquished the promised day for the debate on Army affairs, the unexpected opportunity of the Public Trustee Bill came, and in spite of 150 amendments which had been placed on the paper, or handed in without notice, the Bill was carried.

But although this measure has been placed upon the statute book in such a hurry, it cannot be seriously regarded as embodying a new idea, or as taking anyone very greatly by surprise. Sir HOWARD VINCENT introduced the first Public Trustee Bill in 1886, on being first sworn a member of the House of Commons; while in 1889 and again in 1890 a similar measure passed the House of Lords. The principles involved have thus been probably more fully discussed than is usual, even with important legislative changes, and it is (more especially under the circumstances) particularly satisfactory to observe that the most objectionable features of the previous Bills have now been omitted, and that in its present form the measure appears likely to prove of considerable value, especially to those of moderate means. The full text of the Act will appear in these columns in due course, and it may then be found necessary to comment in some detail upon its precise wording; but, in the meantime, it may be pointed out that Section 4 provides for the appointment of the Public Trustee as custodian trustee only, thus apparently rendering it possible for the indisputable security provided by the appointment of a Public Trustee to be combined with all the advantages of leaving the management of trusts in the hands of private persons.

It thus, apparently, comes down to this—that, instead of the Public Trustee superseding private trustees, the latter may in all desirable cases be continued, as heretofore; but subject to provisions which, for all practical purposes, seem to be analogous to the control exercised by the Board of Trade over trustees in bankruptcy. The custody of all securities and title deeds will, of course, be with the custodian trustee, while the managing trustees will have the right of free access thereto, with the power of taking copies or extracts. The custodian trustee will have to satisfy himself that all acts of the managing trustees involving a change of securities are within the limits of the trust imposed; but in no other way will he have power to fetter the discretion of the managing trustees, who, in particular, are to have a free hand in connection with the appointment of a solicitor, banker, &c.

It, of course, remains to be seen how the scheme will work in practice, and upon this point no very decided opinion can be hazarded, at all events until the Rules for the working of the Act have been formulated and published; but, assuming these to be wisely conceived in what we take to be the spirit of the measure, but little difficulty should be experienced in framing conditions which, while providing all the safeguards that the Act seeks to introduce, will do so without seriously increasing expenses, or unduly hampering the managing trustees in the execution of their duties.

We think it likely, however, that—at all events, during the first few years—the Act will be chiefly invoked by testators of quite moderate means, who may desire to leave their property safely tied up, with a view to securing the maintenance of the principal rather than of primarily providing for the support of a life-tenant. In such cases the absolute guarantee against loss through either negligence, incapacity, or dishonesty, can hardly be overvalued. Especially is this so when one bears in mind that the class of solicitor to whom such persons would naturally go would be the least desirable class for the purpose; while the surviving relatives would probably, in many cases at least, be quite unfitted to discharge the duties of managing trustee, with the result that, in practice, everything would devolve upon the solicitor employed, who, if unscrupulous, has thus exceptional opportunities of feathering his own nest at the expense of the trust. In this connection it may be pointed out that it is not only by actual robbery that an estate may be made to suffer. Unnecessary and excessive costs in the case of a small estate may quite conceivably prove equally disastrous in the long run.

Solicitors' Accounts.

IT would appear that the Council of the Law Society has come to the conclusion that, in the face of the opposition that exists—not merely among the ranks of the profession, but also among the general public—it cannot very well persist in its opposition to so mild a measure of reform as that indicated by the resolution moved by Mr. JULIUS BERTRAM., M.P., at the general meeting of the Society held on the 15th ult. Accordingly it has been somewhat busily engaged in the matter during the past few weeks.

That feeling ran high is, we think, sufficiently evidenced by the fact that one of our legal contemporaries referred to the meeting of the 15th ult. as "the secret meeting"; but the greatest mistake of all appears to have been the issue of an "authorised account" of this meeting which it has now been found necessary to disclaim. Quite a long correspondence with regard to the whole matter has appeared in the columns of *The Times*, including a letter from Sir JOHN GRAY HILL (the immediate past-President of the Society), expressing as a private member his complete disagreement with the views expressed by Mr. SAMSON, the member of the Council who strongly opposed Mr. BERTRAM's resolution—who, as the only member of the Council who spoke at all, was not unnaturally regarded as having been deputed to voice the opinion of the Council as a whole.

Some misunderstanding is cleared away by Sir JOHN's explicit statement that Mr. SAMSON was not put forward by the Council to oppose the motion, and further that at the beginning of the meeting the President stated that the

Council had no objection to the proposed Committee, and had agreed to appoint four of its own members to serve on it, if agreeable to the meeting. One can quite understand that, if the meeting was at all a noisy one (which was very likely the case), the somewhat subdued voice of Mr. HENRY ATTLEE, the President, would not carry very far; but it seems to us that the reason why these preliminary utterances of the President—all-important as they are—should have been omitted from the authorised version of the proceedings still remains to be given.

However, upon the most important points, the correspondence of the past few days, combined with the criticisms that have appeared in these columns and elsewhere, appear to have produced satisfactory, if somewhat belated, results. It now appears that, although the only member of the Council who gave utterance to his views is strongly opposed to the very necessary reforms foreshadowed by Mr. BERTRAM'S resolution, these views are not shared by his colleagues on the Council, in spite of the fact that they did not think it necessary to give any indication of their leanings at the general meeting. Perhaps the true inwardness of the situation is more correctly described by our contemporary *The Solicitors' Journal*, which states in its issue of the 29th ult. that it is satisfactory to learn that the Council, after many vacillations, arrived at the conclusion mentioned in Sir JOHN GRAY HILL'S letter, and now there can be no possible reason why all the members of the Society should not vote at the poll in favour of the appointment of the proposed Committee. We agree that there ought to be no possible reason why any solicitor should seek to stifle even inquiry into this most important question, but the presumption is that Mr. SAMSON will feel constrained to remain consistent to the last. Doubtless this gentleman has good reasons for the attitude that he has adopted, and those reasons are, no doubt, entitled to all possible respect; but, at the same time, members of the Law Society will be acting in their own interests if the result of the forthcoming poll is to leave him—and those who agree with him—in a hopeless minority.

It is officially announced that a special meeting of the members of the Law Society will be held on the 25th inst. at 2 p.m. Any member desiring to move a resolution at that meeting has been required to send notice of it in writing to the Secretary on or before the 3rd inst. This, it seems to us, is an extremely inconvenient arrangement, in view of the fact that the result of the poll has yet to be announced, and must, to no small extent, determine the course of action to be pursued.

Weekly Notes.

Questions in the House: Income Tax—British Consuls and Commercial Information.

Some interesting questions have been put and answered in the House of Commons during the last week of the session. Mr. Fell asked the Chancellor of the Exchequer whether his attention had been called to the fact that under the existing system of income-tax collection a limited company was taxed on the whole of its profits, whether they were distributed in dividends or used to replace lost capital, so that, since the tax came out of the shareholders' pockets, if the profits were not distributed, they had no chance of recovering any exemption or abatement to which they might be entitled, and, in fact, they paid more income-tax when they received no income. Would the Minister, in considering any change in the income-tax law, make provision to deal with the matter? Mr. Asquith adopted a *non possumus* attitude, and in the course of a written reply said that it would not be possible to

arrange that exemption and abatement should extend to so much of the profits of a trading company as represented what would be payable to individual shareholders entitled to exemption and abatement if distribution had been made of that portion of the profits which was reserved and kept in the common purse of the company. In another instance, and one with some curious bearings on the municipal statistics problem, Mr. Waterlow asked the Chancellor of the Exchequer whether his attention had been called to the evidence given by Mr. Hayward, Comptroller of the L.C.C., before the Select Committee of the House of Commons, on the London County Council Tramways this year, wherein it was stated that for the year 1905-6 £4,000 was the income-tax on a profit of £80,000; whether this profit included the statutory sinking fund instalments; whether it was customary in regard to reproductive municipal undertakings to assess the sinking fund instalments as part of the profit, and whether in Parliamentary returns of the financial results of such ventures the sinking fund would be shown as part of the earned profits? Mr. Asquith replied to the effect that although he had not seen the evidence referred to, and was unable to give details of any particular assessment under Schedule D, he had no doubt the facts were as represented. Municipal undertakings of a profit-earning character were by law assessable on the whole of their profits without deduction for any portion of such profits which might be carried to a sinking fund. The point as to the Parliamentary returns was a question for the President of the Local Government Board rather than himself. In reply to Mr. Keir Hardy the Minister said he did not think any difference was made between private companies and municipal undertakings as regards assessments in relation to the portion of profits which went to a sinking fund. A point of great interest to those having dealings with foreign customers was mentioned by the President of the Board of Trade, who said that it had been arranged that his department should co-operate with the Foreign Office from the beginning of the year 1907 in the editing of the annual consular reports, the issue of which was to be expedited in every way. It was also said that consular officers had been instructed to report, by telegraph where necessary, any matters of immediate commercial importance, and such information would either be communicated direct to those whose interests were concerned, or published in the *Board of Trade Journal.*

Telephone Agreements. The subject-matter of our Note on this topic, in our issue of the 15th ult., was again before his Honour, Judge Rentoul, at the City of London Court a few days ago, when a new trial was asked for. Counsel is reported to have said that if the contract was absurd, there was a House of Commons, of which the Postmaster-General was a member, and in which he could be arraigned for anything that was wrong. Judge Rentoul held to his point, that the contract was unreasonable, and after no little argument refused leave to appeal. Later on, the matter was mentioned again with becoming explanations by a clerk from the Solicitors' Department of the Post Office, and the Judge ultimately said that the application for a new trial might be renewed on some subsequent day.

Foreign Securities in France. Messrs. Michael Abrahams, Son & Co. have furnished the press with a translation of Article 13 of the French Finance Act, adopted by the Chamber of Deputies on the 14th ult., from which we gather that from February 1st next all notices, prospectus advertisements, circulars, and applications for subscriptions or purchase in France of shares, bonds, or securities of any kind in French or foreign companies must contain the following particulars:—

(1) Name or style of company.
(2) Nationality of company.
(3) Situation of registered office.
(4) Object of undertaking.
(5) Duration of company.
(6) Nominal capital, nature of each share, and unpaid capital.
(7) Last Balance Sheet, or a statement that none has yet been drawn up.

Full particulars are *inter alia* also required (in the case of shares) of all advantages provided in favour of the directors, managers, or other persons, of all property originally acquired, purchase consideration, and methods of convening general meetings. The general requirements of the article are to be the subject of a declaration certified by the issuers, who must be domiciled in France, and advertised in the official journal. Any breach of the provisions laid down is punishable by a fine of 10,000 to 20,000 francs.

Counsel and the Stamp Act. The decision of Mr. Justice Bray in *General Council of the Bar v. Commissioners of Inland Revenue* will necessitate stamped receipts for any fees exceeding £2 paid to counsel.

Although the decision is based on the Stamp Act, 1871, it is a little curious that thirty-five years should have elapsed before the statute is applied. Previous to the passing of the Act in question a counsel's voucher was held not to be a receipt. Two views on the matter are prevalent. On the one hand it is regretted that a practice which has been in force for centuries, and which looks upon payments to counsel as mere honoraria, should be abolished, while, on the other hand, it is contended that such fees should not stand in any different position from other forms of remuneration. There seems to be all the elements of a small agitation in favour of bringing the profession of the Bar up to the commercial spirit of the age. This would involve raising the awkward question as to whether counsel who have been briefed, and who do not appear, should be paid for their "services." It should be noted that the Bar Council may appeal against Mr. Justice Bray's decision.

Bankruptcy Notices. Two interesting cases were dealt with by the Court of Appeal recently, and in each instance a bankruptcy notice was the axis on which the discussion moved. In *Re Smiles* an order had been made enforcing an award made by an umpire in an arbitration, and judgment was entered in accordance therewith. It was held that this was not a final judgment in an action within Section 4, Sub-section (*g*), of the Bankruptcy Act, 1883, and was not available therefore as a basis for a bankruptcy notice. In *Re Brind* an action had been brought by certain persons against A. to recover £100 for money lent; A. counter-claimed against the plaintiffs *and other persons*, but ultimately the action was settled on A. agreeing to judgment being entered for £100 and costs in the first instance, and to costs on the counter-claim. A bankruptcy notice was served on A. in respect of these judgments, but the Court of Appeal held that the notice was bad, as it comprised two judgment debts to different persons.

Scotch Banks. The new edict of the Scotch banks, to the effect that all sums paid in at any of the Scotch offices for transfer to the credit of customers of English bankers must pay the usual commission charged for such remittances, is causing no little commotion south of the Tweed. English bankers describe the system as barbaric, and their Highland *confrères* say that it simply brings general business into line, for remittances made to Scotch banks in London were formerly charged with a commission. It will be interesting to note the next move in this tragic comedy, which rests with the Saxons.

Gold Reserves. The paper read by Sir Felix Schuster last week before the Institute of Bankers had been heralded by such an amount of flag-wagging and flourishes of trumpets that the slight feeling of disappointment which its actual advent has created was perhaps only to be expected. We do not say that Sir Felix Schuster's effort was uninteresting, far from it, but it appears to be lacking in that originality of suggestion which has always been an attribute of this well-known banker. A full report of the paper has appeared generally throughout the press, and our readers will naturally not expect us to do more than outline the remedies put forward, which were:—

First, while the census of the stock of notes and gold is being taken, a small committee should be formed, composed of the representatives of the various banking interests, including the Bank of England, and perhaps some authorities not necessarily bankers. By such committee the following points would be considered:—

(1) The monthly publication of averages by all the banks.

(2) The publication by the Bank of England of the bankers' balances in the aggregate, but separately from its other liabilities, either weekly or monthly, as may be decided upon; if monthly averages only, then an annual return also.

(3) The formation of a second reserve on the following lines:—

(*a*) Each bank to contribute a certain percentage of its liabilities on current account repayable on demand, according to its average figures for the preceding year. He did not think it would be excessive to ask each bank to contribute gradually, and by slow degrees, an amount equivalent to about 2 per cent.; or, say, 1 per cent. of the total liabilities on current and deposit account.

(*b*) The Government Savings Banks, whose liabilities are, if not technically on demand, practically so, to contribute an equal proportion, which would amount to £4,000,000. This would be only a very small contribution, considering that banks keep about 15 per cent. or more in reserve against such liabilities.

(*c*) A small permanent committee, to be formed of representatives of the bankers, to act with the Bank of England; without the committee's sanction the special reserve should never be used, and such sanction should be given only under circumstances of exceptional emergency. Such a committee would form a nucleus of a general consultative committee with the Bank of England, the want of which has been long felt.

(*d*) The Bank of England to be given the power of increasing its note issue against securities, after the Bank-rate has reached a certain level, to an extent equivalent to a given proportion of the special gold reserve, say, ½ or 1-3, and subject to certain stipulations and the payment of duty to the Government, the power not to be used unless a very high rate of interest had been attained, and only to meet an internal demand; against an external drain of gold this provision would be no safeguard, but it would give the Bank additional power of meeting pressure for accommodation under special circumstances. The action should not be automatic, but open to the discretion of the directors.

These are mainly on the lines suggested by Sir Edward Law quite recently, and the coincidence is interesting, since the two authorities approached the matter from quite different standpoints. We shall look forward with very great curiosity to a report of the discussion on the paper, which has been adjourned to a date in January yet to be fixed.

Mercantile Agents. The case of *Oppenheimer v. Frazer & Wyatt*, decided on the 15th ult., well illustrates the application of Section 2 of the Factors Act, 1889, which, as our readers know, provides that a mercantile agent can give a good title to third parties who act in good faith, provided he is in possession of the goods with the consent of the owner, and it appears to be immaterial how that consent was obtained. The facts were briefly as follow:—A., on misrepresentation, obtained a parcel of diamonds from B. for the purpose of selling same. A. pledged some of the diamonds, and offered others to C., requesting him to try to sell them. C. approached D. and E., saying that the diamonds came from A., and asked them to buy same on joint account with himself. D. and E. bought all the diamonds, sent a cheque to B. for the full amount, debited C. with one-half, and subsequently credited him with half the profits on sale. B. claimed for conversion, and, alternately, delivery up of the diamonds, and damages. The jury found that:—

(1) A. obtained the diamonds from B. by larceny, by a trick.

(2) D. and E. acted in good faith.

(3) C. did not act in good faith.

Mr. Justice Channell pointed out that under the Factors Act the test whether a certain transaction was valid or not depended on the relation which existed between the owner of the goods and the person who had possession of them as mercantile agent, not that between the person claiming title to the goods and the supposed mercantile agent. Held that D. and E. bought the diamonds as to one-half beneficially and as to one-half in trust for C. C. was liable for conversion of whole amount. D. and E. had not converted any part of B.'s goods. Judgment accordingly. Students especially should note counsels' arguments on both sides.

Coupons Payable Abroad, and Income-tax. It is reported that French and Swiss bankers expect to do an increased amount of business through the new accounts, which are being opened by English clients desirous of evading income-tax. The number of coupons payable in Paris, Berne, or Zurich is said to be rapidly increasing, and by payment into an account kept with a bank at these places the investor escapes the deduction of the income-tax, which would be the case if the coupons were payable in London. It has, however, been pointed out that the income would have to be disclosed on the return made by the investor (though the obligation is not easily enforced) for income-tax purposes, and therefore he would not derive any benefit from the plan recommended. It is also said that he would have to pay the French coupon and transfer duty (about 5 per cent.), so that if the latter be correct, he would be considerably out of pocket.

Income Tax—Foreign Earnings. With regard to the question raised by our correspondent "Index," it appears to us that inasmuch as incomes earned abroad are liable to income-tax in the United Kingdom in so far as they are remitted to, or received in, this country (*Colquhoun v. Brooks*), it would make no difference for purposes of taxation whether the income was remitted direct to the person actually in receipt of such income, or to some third party at his request. In either event, the practical effect is the same, and we have no doubt that the Courts would regard the income as liable to taxation, if a case came before them. At the same time it is easy to see that such income is peculiarly liable to escape taxation altogether.

Floating Charges and Equitable Mortgages. Our correspondent "R. A.," whose letter under the above heading appeared in our issue of the 22nd ult., appears to confuse that which is new to him with that which is new *per se*. If the decision in *Re Standard*

Rotary Machine Co., Lim., decided any new point it would undoubtedly be one of first-rate importance; but as a matter of fact all that it does is to point out that, in the absence of express provision to the contrary, the existence of a floating charge does not interfere with the rights of the legal owner of the property charged to deal with it in the ordinary course of business. This indeed is the essence of the distinction between a floating charge and a fixed charge. There can be no possible question of right of action against directors for a breach of trust in creating specific mortgages, in that there is no trust imposed upon the directors to hold the assets for the benefit of the debenture-holders. At the same time the matter is, of course, of some interest, showing as it does that quite a number of persons are ignorant of points in connection with business matters which it is really necessary that they should understand. We are inclined to doubt whether anything like 25 per cent. of those holding debentures or preference shares in industrial companies have even an approximate idea of their legal rights. From this point of view a decision which throws an unexpected light upon the position may be regarded as of importance, but it can hardly be so regarded by those who ought to have been already well acquainted with the situation.

Accountant's Lien on Books. The question as to whether an accountant has a lien on books of account in his possession for fees due to him has not yet been very definitely decided, and it is therefore impossible for us to give any altogether satisfactory answer to the question raised by our correspondent "A. B. C." last week. We may point out, however, that Mr. Justice Joyce held, in *Burleigh v. Ingram Clarke, Lim.* (*Accountant* Law Reports, XXVII., p. 65), that in the circumstances of that case the accountant had a lien. A right of lien, where it exists, is clearly equally effective against the creditors of the accountant's client; but Bankruptcy Rule 349 provides that no person shall, as against the Official Receiver or trustee, be entitled to withhold possession of the books of account belonging to the debtor, or to set up any lien thereon.

Election by Poll. At a recent annual meeting there were nine candidates for the post of auditor, while eleven members of the undertaking were personally present. The disproportion between these figures is, however, not the point to which we wish to draw attention at the present time. A poll was taken to decide which two of the nine candidates should be elected as auditors, and the votes in the room, including proxies, were 136 in all. It was arranged that each such vote might be given for any two of the nine candidates, and as a result it was found that two candidates each secured fifty votes, while the third and fourth secured forty-five and forty-three votes respectively. The chairman accordingly declared the first two to be duly elected as auditors, but a question appears to arise as to whether the mode of filling the vacancy was in order. Our own impression is that while in practice any convenient means may be adopted to reduce the number of candidates by some process of weeding out, before any candidate can be declared elected to a post, a resolution to that express effect ought to be passed by a clear majority of votes. In the case referred to less than a clear majority appears to have voted in favour of the appointment of those declared to have been elected, and the appointment would thus seem to be invalid. It would be interesting to know whether the matter will be tested, and, if so, what steps will be taken.

Building Societies' Accounts—Ante-dated Transactions. Our correspondent "Ebor" raised a very interesting question last week in his letter, which inquired whether the auditors of a building society would be justified in passing accounts in which transactions were included which had been authorised during the current year, but not actually carried through until afterwards. The transactions in question relate to the advancing of money on mortgage, and thus affecting the borrowing powers of the Society. One is, of course, aware that in practice transactions are very frequently recorded as having occurred upon a date other than that when they actually transpired, and in the absence of bad faith one is disposed—perhaps a little too disposed—to disregard these discrepancies. In the case raised by our correspondent, however, the matter may quite easily assume considerable proportions in practice, even in the absence of bad faith, owing to the limitation imposed upon the borrowing powers of a building society to an amount not exceeding two-thirds of the amount for the time being secured by mortgages from its members. We are inclined to think, however, that so long as the mortgages have been completed before the audit is made, and so long as the mortgage deeds bear a date prior to the closing of the books, the transaction is in order even from the strictest point of view. It is unquestionably permissible for deeds to date back, and the effect of such ante-dating is undoubtedly exactly

the same as if the contract had been actually executed under seal upon the date borne by the deed. That being so it is, we think, perfectly permissible to hold that at the date of the Balance Sheet these mortgages existed. The point is, however, one of considerable interest, and that not merely of an academic nature. We shall be glad, therefore, if some of our readers will favour us with their views upon the matter.

Creditor's Assent to Deed of Assignment. With reference to the query raised by our correspondent "A. F. D.," in our issue of the 22nd ult., we think that the question as to whether a creditor under a deed of assignment is precluded from petitioning is determined not merely by the question of delay in coming to a decision, but also generally by his conduct towards the debtor during the intervening period. Our Law Reports of recent date record decisions in which a period of less than three months' delay in dissenting has been held to constitute assent, as well as a case in which an attempt on the part of the creditor to obtain special terms was held to disqualify him from being entitled to a receiving order.

Municipal Trading Profits. With a view to reassuring those who have been somewhat dismayed by the recent exposures in connection with the Tramway Accounts of the London County Council, a member of that body was put forward a short time since to ask Lord Welby "whether it was a fact" that the Inland Revenue authorities had assessed the Council for income-tax on profits of the southern tramways as follows:—

1899	£89,249
1900	64,488
1901	69,197
1902	48,922
1903	77,773
1904	165,943
1905	203,831

His Lordship's reply was, of course, that the figures named were perfectly correct, and thus the desired impression was created—assuming the desire to have been to create the impression at all costs, that large profits had been made by the tramways department, more particularly of recent years. If it were *not* intended to give this altogether misleading impression, it is absolutely unquestionable that Lord Welby should have stated that the income-tax paid during the years referred to consisted almost entirely of tax deducted the Council from interest paid to holders of its stock, such interest being, of course, liable to tax as representing income of the several stockholders. Everyone who has made even a superficial study of the subject knows that it is quite conceivable that an undertaking steadily losing money may yet have to pay income-tax to the Inland Revenue authorities; but there was absolutely no point at all in the question unless, as we have said, it was designed to mislead those unsophisticated persons who know no better. According, even to its own returns, the London County Council admits a loss of £2,251 in 1902 and of £8,253 in 1903, against a profit of £7,055 in 1904 and of £2,320 in 1905, so that (even accepting its own figures, which are by no means a correct record of the true facts) there has been an actual loss on the past four years, taken altogether. In order to still further muddle the accounts, and presumably to make it increasingly difficult to arrive at the true facts, it is now proposed that the accounts of the Steamboat Service shall be incorporated in those of the Tramways Department. This amalgamation of accounts can under no circumstances serve any useful purpose, and is directly contrary to the principles of all sound business management; but when the sole object of keeping accounts appears to be to produce results which cannot furnish material for intelligent criticism of management, one naturally expects to find accepted canons disregarded.

Deeds of Assignment. We can only recommend our correspondent "Northern," whose letter under the above heading appeared in our issue of the 22nd ult., to consult a competent solicitor, for in such cases we almost invariably find that the whole of the material facts are not stated in the question. From what is stated, however, it seems to us that C. has obtained no valid assignment of the debt due by A. to B., and that, therefore, his claim may be disregarded. It is, of course, for C. to prove that he is a creditor, and not for the trustee to prove that he is not.

A Royal Commission on Railways. Royal Commissions seem to be quite the fashion in these days. We note that Mr. Montagu is reported to have given notice to ask the President of the Board of Trade whether the Government will consider the appointment of a Royal Commission to inquire into the general management of railways in this country, and to compare systems which have been adopted or proposed for adoption abroad, with a view to their

possible adoption in this country. It seems rather a pity that members of the House are not permitted to put forward any argument in making a statement to a Minister, and in this case a big demand is being made without any very clear case showing the need for it.

Inland Revenue Delays. A correspondent of *Truth* gives another impression of Somerset House methods. One of the sons of a certain man died intestate in 1830, and his share of the property reverted to his father. The father died in 1851 leaving another son as executor. Thirty years later this executor received from the Inland Revenue authorities a demand for death duty on the property of the man who died in 1830.

The Prevention of Corruption Act. The discussion with reference to the bearing of this Act upon stockbrokers does not appear to show any signs of cessation. It has been suggested that counsel's opinion should be taken by the Stock Exchange, since a friendly action would hardly be possible in the case of an Act dealing with a criminal matter. It is said that it can hardly be suggested that a banker or solicitor has a corrupt intent in selecting A. B. to buy or sell shares for a client when C. D. would, if he were selected instead of A. B., do the business in exactly the same way, with approximately the same degree of skill, and at probably just the same commission. With regard to the question of secrecy, the idea is put forward that brokers should, after January 1st, print on all their contract notes some such words as follow:—

> "Messrs. Smith & Jones give notice to their principal A. L., in the transaction referred to herein, that in accordance with commercial practice they pay (and may have paid with reference to this transaction) a share of their commission to solicitors, bankers, and other persons, on orders received through, or through the introduction of, such persons. This notice is given to prevent such improper use of this contract, or any such misunderstanding with reference thereto, as is contemplated by 6 Edw. VII., cap. 34, sec. 1."

The client would then be unable to say that he was unaware of the practice, though, of course, it would be open for him to refuse to continue to do business on the basis of half commission.

Solicitors' Accounts. The extent to which a subject may be misunderstood is well illustrated by a correspondent of *The Law Times*, who says:—

> "The proposal that solicitors should be obliged to keep books open to inspection—official inspection, of course—is one that certainly ought to be carried out. In some foreign countries every business man or firm has to keep careful books—France, Germany, and, I believe, Sweden. True, this is for purposes of taxation principally; but why should it work any greater hardship for other purposes? And herein, perhaps, Somerset House may get a suggestion."

Auditors' Certificates. A weekly contemporary quotes the following certificate as having appeared at the foot of a Balance Sheet recently issued by a firm of Chartered Accountants, and expresses the view that if, in the face of all these qualifications, the auditors consider the Balance Sheet to be properly drawn up, it would be interesting to know what they would consider an improperly drawn-up Balance Sheet:—

> "In accordance with the provisions of the Companies Act of 1900, we certify that all our requirements as auditors have been complied with, and we report to the shareholders that we have audited the general Balance Sheet and the Profit and Loss Account with the books and accounts in London and accounts from South Africa. Evidence of title to three interests in syndicates included in 'purchase of properties' has not been available for production to us. The shares and debentures of other companies are entered at the directors' valuation. About one-third of this represents shares having published prices, but they are taken at a value considerably in excess of such prices. We are not able to verify the value of the remainder, nor of the properties and a part of the sundry debtors. In our opinion, such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company."

We have not had any opportunity of comparing the quoted certificate, which apparently also embodies the report, with the original, but would suggest that in all probability the concluding opinion is expressed "subject to the foregoing comments." It is clear that if there is anything in any one of the points to which the auditors have drawn attention, it must *pro tanto* affect the accuracy of the Balance Sheet as a true and correct statement of the company's affairs, and the qualification "as shown by the books of the company" has been judicially held not to have any such meaning as to restrict the duty of the auditor to inquire beyond the Balance Sheet into the facts. We think it probable, therefore, that the whole misunderstanding is

the result of a misprint, but at the same time it would be interesting to know whether, in the opinion of any of our readers, it can properly be said that in the auditor's opinion a Balance Sheet is properly drawn up, &c., when he has already drawn attention to the absence of vouchers, queries as to the proper basis for the valuation of assets, and other similar matters.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Reduction of Capital.

(*To the Editor of The Accountant.*)

SIR,—Company law provides for the repayment to shareholders of share capital out of accumulated profits as one method of reducing capital.

I should be pleased if, from an accountancy point of view, you would show the necessary bookkeeping entries to carry this out, and give accounts.

Yours faithfully,
G. W. SMITH.

Huddersfield, 24th December 1906.

Wine and Spirit Merchants' Stocks.

(*To the Editor of The Accountant.*)

SIR,—When casks of spirits are broken (*i.e.*, some of the contents drawn off) what is the best method to adopt in reckoning the quantities remaining in the casks?

Yours obediently,
STOCK.

[Ask an Exciseman to show you his rod.—ED. *Acct.*]

Accountant's Lien on Books.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent's query as to an accountant's lien on books for services rendered, there was a case reported in your legal columns some years ago which might help him to arrive at a correct view of his position.

The case referred to was that of *Herbert Alfred Burleigh v. Ingram Clark, Lim.*, in which Mr. Justice Joyce held that an accountant's lien extended only to those books on which he had done work, and then only to the extent of his proper remuneration for that work. The case of an auditor was somewhat different, but in his (Mr. Justice Joyce's) opinion merely the lien did not exist.

If your correspondent received his instructions from the debtor, he would appear to have just such a lien against the Official Receiver as is described in the above decision.

Yours faithfully,
N. R. DICKINSON.

Bradford, December 31*st* 1906.

Building Societies' Accounts.—Audit.

(*To the Editor of The Accountant.*)

SIR,—In reply to "Ebor" in your last issue.

If the mortgages referred to are not completed at the date of making up the books the loans cannot be legal assets, therefore the auditor cannot certify (as he is required to do under the Act of 1894) that the accounts are "in accordance with law."

In my opinion the accounts should be corrected by the Secretary before the audit is completed.

If the borrowing powers have been temporarily exceeded, the fact should be mentioned.

Yours faithfully,
W. H. EARL.

January 1*st* 1907.

Deeds of Assignment.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent "A. F. D.," there are many cases dealing with the question as to the latest date upon which a creditor may assent in order to be entitled to a dividend under a deed. They are mostly in two classes, where a time limit is fixed in the deed, and where there is no time limit so fixed. Where other parties (*e.g.*, sureties) are not concerned, the cases generally may be summed up that a creditor may assent at any time before the declaration of a dividend, even though the time limited in the deed has expired, but he may not disturb any dividends already paid.

It is too late to assent after the death or bankruptcy of a debtor, since he cannot then benefit by the assent, and too late after a creditor has relied upon rights against the trustee, such as an attempt to enforce a judgment or reliance upon security. It is not quite clear that a creditor who has merely dissented is

entitled to withdraw his dissent, and assent before the declaration of a dividend, but I think he is so entitled.

If your correspondent will state more clearly what he wants to know, his question can be more precisely answered.

Referring to the question of "Northern," his best plan would probably be to refer the matter to arbitration. There would seem to be a complete misunderstanding between the parties. A similar point has frequently arisen under guarantees as to whether a guarantee was a continuing one, or for one transaction only. In one case the Court said that if a guarantor intends his guarantee to relate to a single transaction he ought to take care to say so, and it might be the same here. If C. *bonâ fide* believed that B. would pay him for all goods he supplied to A., and sent the goods on that understanding, I should be inclined to compromise upon his claim or admit it.

Yours obediently,

31st December 1906. DAVID P. DAVIES.

Discount on Income Tax.

(*To the Editor of The Accountant.*)

SIR,—Some months back it was pointed out by *The Law Times* that, under existing Acts of Parliament, a discount of 2½ per cent. could be claimed on income-tax paid in advance—*i.e.*, before December 31st.

A few weeks ago I thought I would take advantage of their information, which was quite news to me, and I accordingly sent a cheque for the duty, less the discount mentioned.

The Commissioners, however, returned the cheque, and stated "that the discount allowed for prepayment "of income-tax was at the rate of 2½ per cent. per "annum for the period from the date of payment to the "1st January 1907."

There is, therefore, little inducement for anyone, at any time, to pay in advance in order to obtain a few days' rebate, more especially at present with the Bank Rate at 6 per cent.

Yours faithfully,

December 31st 1906. A. G. W.

Income Tax on Bank Interest.

(*To the Editor of The Accountant.*)

SIR,—A company having an overdraft at the bank, secured by debentures deposited under an agreement, has for some years past protested against the disallowance by the Inland Revenue authorities of the bank interest as a charge against profits, the contention of the authorities having been that the interest was annual interest within the meaning of Section 100 of the Act of 1842.

The Board of Inland Revenue have now, however, altered their opinion and decided in favour of the company, stating that "on the facts now before them they "are disposed to think that the interest in question "may be treated as a trade expense," but that "no "repayment, however, can be granted in respect of "interest paid to the bank in past years."

As the company has continually protested against the payment of tax in respect of the interest, the decision of the Board appears unfair, and we shall be glad to know whether there are any means whereby the company can enforce repayment.

Yours faithfully,

BURGH.

The Recent Examinations.

(*To the Editor of The Accountant.*)

SIR,—As one of the candidates at the Intermediate Examination of the Institute, held in November last, I should be glad if you, or any of your readers, would express an opinion as to the correct treatment of the reserve for bad and doubtful debts in Question 1 of the Partnership paper.

The balance standing to the credit of Bad Debt Reserve Account in the Trial Balance is stated at £620, and you are required to make a provision of 5 per cent. on the outstanding debtor balances (£16,026) for bad and doubtful debts.

What amount is chargeable to the Profit and Loss Account?

Should the full 5 per cent. on the debtor's balances be charged—*i.e.*, £801 6s., making the balance of Bad Debt Reserve Account £1,421 6s., or should the balance of that account be left at £801 6s. (*i.e.*, 5 per cent. on outstanding debtors)? In the latter case only £181 6s. will be charged to Profit and Loss Account.

The final results under the two foregoing methods differ to the extent of £620, and as it appears to be an open question as to the intention of the examiner, I should be glad to have an expression of opinion through the medium of your valuable paper.

Yours faithfully,

1st January 1907. PERPLEXED.

The London Chartered Accountants Students' Society.

Compositions and Schemes of Arrangements in Bankruptcy.

By A. H. Partridge, A.C.A.

A paper read at a meeting of the above Society on November 14th 1906, Mr. F. W. Le Blount Lean, A.C.A., presiding.

When a person is in the position—fortunate or unfortunate, according to the point of view—of having a receiving order in bankruptcy against him, there are three courses open to him :—

(1) To pay his debts in full and get the order discharged ; or

(2) To be adjudicated bankrupt ; or

(3) To carry in a proposal for a composition or scheme of arrangement.

It is superfluous to add that the second is the most and the first the least common result, but the third course is resorted to sufficiently often to make it worth the while of a Chartered Accountant to make himself acquainted with the law and procedure relating to it.

It is not necessary here to trace the history of compositions and schemes of arrangement, but it is important to emphasise the distinction between *deeds* of arrangement and *schemes* of arrangement, as some confusion seems to exist in the minds of many students—and also of business men—upon this point. The essential difference between the two is that a *deed* of arrangement is only possible where no receiving order has been made, and that where such an order exists any arrangement between the debtor and his creditors must be by means of a composition or scheme.

Speaking generally, it may be said that where there is any intention on the part of the debtor to make a proposal for the arrangement of his affairs, or for the payment of a composition and a disposition on the part of the creditors to accept such a proposal, it is to the advantage of all parties that it should be done privately and without recourse to the assistance of the Bankruptcy Acts, as thereby much difficulty and delay and many pitfalls are avoided. A very large percentage (one might almost say the majority) of such proposals which are lodged with the Official Receivers never, for one reason or another, reach fruition.

Compositions and schemes of arrangement in bankruptcy are governed by Section 3 of the Bankruptcy Act, 1890, which provides that—

(1) Where a debtor intends to make a proposal for a composition in satisfaction of his debts or a proposal for a scheme of arrangement of his affairs he shall, within four days of submitting his statement of affairs, or within such time thereafter as the Official Receiver may fix, lodge with the Official Receiver a proposal in writing signed by him embodying the terms of the composition or scheme which he is desirous of submitting for the consideration of his creditors, and setting out particulars of any sureties or securities proposed.

(2) In such case the Official Receiver shall hold a meeting of creditors before the public examination of the debtor is concluded, and send to each creditor before the meeting a copy of the debtor's proposal with a report thereon, and if at that meeting a majority in number and three-fourths in value of all the creditors who have proved resolve to accept the proposal the same shall be deemed to be duly accepted by the creditors, and when approved by the Court shall be binding on all the creditors.

A common form of scheme of arrangement is as follows :—

Title.

I, the above-named debtor, submit the following scheme of arrangement of my affairs :—

(1) To pay in full, forthwith on the approval of the Court of this composition arrangement, all preferential debts directed by the Bankruptcy Act, 1883, and the Preferential Payments in Bankruptcy Act, 1888, to be paid in priority to other debts, and also all proper fees, costs, charges, and expenses of, and incidental to, the proceedings.

(2) That all my property which would become divisible amongst my creditors were I adjudged bankrupt shall vest in A. B. as trustee, to be realised and distributed amongst my creditors in the same manner as if I were adjudged bankrupt.

(3) That I will set aside and pay over to the said trustee the sum of £500 per annum out of my future earnings until my creditors shall have received dividends amounting to 15s. in the £.

(4) That C. D., E. F., and G. H. be appointed a committee of inspection under this proposal to superintend the carrying out of the same by the trustee, with power to fix the remuneration of the trustee.

(5) That the following creditors have released their debts (here set out names and amounts).

In a proposal for a composition paragraph (1) would be similarly worded, but the remainder of the proposal would run more or less as follows :—

(2) To pay all my unsecured creditors in respect of all debts provable under the receiving order made against me a composition of 10s. in the £.

(3) The payment of the aforesaid preferential debts, fees, costs, charges, and expenses and of the said composition to be secured by the deposit with the Official Receiver of cash sufficient for the purpose prior to application being made to the Court to approve this composition.

It will be noticed that the proposal provides expressly for the payment in full of fees, costs, charges, and pre-

ferential debts, and this (so far as the preferential debts are concerned), is required by Sub-section (18), which provides that:—

> No composition or scheme shall be approved by the Court which does not provide for payment in priority to other debts of all debts directed to be so paid in the distribution of the property of a bankrupt.

For particulars of these you are referred to the Preferential Payments in Bankruptcy Act, 1888, Sections 41 and 52 (3); the Bankruptcy Act, 1883; Section 14 of the Savings Bank Act, 1863 (as restored by Section 13 of the Savings Bank Act, 1891); and the Friendly Societies Act, 1896, Section 35.

As to the fees, these have to be provided for in compliance with the regulations of the Board of Trade, which very properly takes care that the taxpayer is not lost sight of in these matters.

The scheme or proposal having been printed and circulated amongst the creditors by the Official Receiver, with his observations thereon and a summary of the debtor's statement of affairs, a meeting of creditors is held to consider it. This is usually an adjournment of the first meeting, as, if at the first meeting the debtor announces his intention to submit a proposal, the meeting is nearly always adjourned to enable this to be done. If, however, the first meeting has been concluded, a special meeting must be called to consider the proposal. At the meeting the creditors vote for or against the acceptance of the debtor's proposal in any one of three ways, viz., personally, by proxy, or by means of a voting letter sent to the Official Receiver, the form of which is issued by him with the terms of the proposal (*vide* Sub-section 4). Such voting letter is in the following form:—

Voting Letter.

(Title.)

> I, of a creditor in the above matter for the sum of £ , hereby request the Official Receiver of the said estate to record my vote ("for" or "against") the acceptance of the proposal as set forth in the report of the Official Receiver hereto annexed, and/or ("for" or "against") any amendment thereof which shall, in the opinion of the Official Receiver, be calculated to benefit the general body of the creditors.
>
> Dated this day of 190 .
>
> Signature of Creditor,
>
> Signature of Witness,
>
> Address,

If the debtor has been adjudged bankrupt, he may at any time thereafter propose a composition or scheme, and if it is accepted by the creditors, the same proceedings must be taken and the same consequences ensue as in the case of a composition or scheme accepted before adjudication. (Section 23 of the Act of 1883.)

In connection with the voting upon the proposal, it will be noticed that compositions and schemes have a resolution all to themselves, which is neither "ordinary" nor "special." Sub-section (2) provides that before a proposal is deemed to be duly accepted it must be voted for by a majority in number and three-fourths in value of all the creditors who have proved; therefore, creditors who do not vote for it are reckoned as voting against it, and there are no neutrals. "Creditors who have proved" means those, of course, who have proved and whose proofs have been admitted to vote. The debtor may amend the terms of the proposal provided the amendment is, in the opinion of the Official Receiver, calculated to benefit the general body of creditors (Sub-section 3), and this section is usually very liberally interpreted by the Official Receiver.

It may be as well here to mention that if it is desired to have a trustee (other than the Official Receiver) under the proposal, the name of such trustee must be inserted in the proposal and become an integral part of it; he cannot be appointed by a subsequent resolution, as in bankruptcy under an adjudication. I was once myself the victim of this rule in a case where both the debtor and the creditors were willing; the Official Receiver smiled approval, but the Board of Trade subsequently upset all our intentions by holding that, as my name did not appear in the proposal as accepted by the creditors, the subsequent resolution (passed at the same meeting) was *ultra vires*, and that the Official Receiver must be the trustee.

Where the appointment of a trustee is provided for, the proposal must also fix his remuneration or state how and by whom it is to be fixed, or he may find when he has done all the work that he can get no pay for it.

The usual thing is, in the case of a composition, to fix the remuneration in the proposal at so much per cent. upon the amount of the composition, and, in the case of a scheme of arrangement, to provide in the scheme for the appointment of a committee of inspection, and empower them to fix the remuneration of the trustee. It is, of course, not necessary to name the committee in the scheme.

The proposal, although having been duly accepted by the creditors, would be by no means out of the wood, as before it can become operative it requires the approval of the Court, and it is here that the real battle often begins. Very many proposals, which are enthusiastically accepted by creditors, are subsequently rejected by the Court under its powers. It is considered by many people to be very unfair that the Court should have the power of overriding the expressed wishes of the creditors, but the present is hardly the occasion on which to go into that. Suffice it to say that the Court has held that it must consider not only the

wishes of the creditors, but the conduct of the debtor and the interests of the public.

The application to approve is made either by the debtor or the Official Receiver, and, upon such application, the Court fixes a day to consider the same, notice of the appointment having to be given to the creditors. Some weeks generally elapse between the acceptance of a proposal by the creditors and its approval or otherwise by the Court. The application cannot be heard until the public examination of the debtor has been completed, and it is not usually made until after that event has happened. The reason for this provision will become evident to you in a few minutes. Upon the hearing of the application, besides the debtor and the Official Receiver, any creditor who has proved may be heard by the Court, and may oppose the application, notwithstanding that at the meeting he voted in favour of the proposal—one of the few cases in which the law allows a man to change his mind; and, similarly, the Official Receiver may oppose a scheme, although he has previously recommended it in his report to the creditors. (*Re Bottomley*, 1893, 10 Morrell 262.) Sub-section (8) provides that if the Court is of opinion that the terms of the proposal are not reasonable, or are not calculated to benefit the general body of creditors, or, in any case in which the Court is required, where the debtor is adjudged bankrupt, to refuse his discharge, the Court shall refuse the proposal; and Sub-section (9) enacts that if any facts are proved on proof of which the Court would be required either to refuse, suspend, or attach conditions to the debtor's discharge, were he adjudged bankrupt, the Court shall refuse to approve the proposal unless it provides reasonable security for payment of not less than 7s. 6d. in the £ on all the unsecured debts provable against the debtor's estate; and by Sub-section (10) the Court has discretion in any other case either to approve or refuse to approve the proposal. As to the circumstances under which the Court is required to refuse, suspend, or attach conditions to a bankrupt's discharge, you are referred to Section 8 of the Bankruptcy Act, 1890.

Speaking generally, it may be said that no scheme will be approved by the Court which does not comply with at least these two conditions, namely:—

(*a*) It must give the creditors some advantage which they would not get were the debtor adjudged bankrupt.

(*b*) It must provide reasonable security for the payment of not less than 7s. 6d. in the £.

It will be noticed that the latter condition is only imposed under circumstances in which the Court would not grant a bankrupt an unconditional order of discharge, but as one of these circumstances is that the assets are not equal to 10s. in the £ on the liabilities, it becomes necessary in every case to provide reasonable security for at least 7s. 6d. in the £.

As to what is reasonable security that is, of course, a question for the Court to determine upon all the facts of the case. I have personally known cases where on the one hand the Court has approved a scheme of arrangement under which the assets did not realise even the odd 6d. in the £, and on the other hand refused to approve a scheme which vested in the trustee assets which ultimately produced in the bankruptcy sufficient to pay all the creditors 20s. in the £ and 4 per cent. interest and leave a surplus for the debtor, the only deduction to be drawn from which is that learned Registrars are no more infallible than most other mortals. It has been held that "reasonable security" implies that the sum secured shall be paid at once or within a reasonable time and not at a distant date (*Ex parte Paine*, W.N. 1891, p. 208 C.A.), but I know of a scheme which was approved by the Court in the year 1895 under which the Registrar estimated that it would take twenty years to pay the 10s. in the £ provided for, so that apparently a "reasonable time" is a somewhat elastic phrase. A very usual method of providing reasonable security for the payment of 7s. 6d. in the £ is by personal guarantee of that amount to the satisfaction of the Official Receiver.

Advantages over bankruptcy offered by debtors always take one of three forms, viz.:—

(*a*) An increase in the assets.

(*b*) A decrease in the liabilities.

(*c*) A combination of these two.

And of these the most usual is a diminution of the liabilities by certain creditors (generally members of the debtor's family or friends) releasing their debts. The Court has held that where this is suggested the releases must be absolute and not made conditional upon the scheme going through, and the terms on which the debts have been released must be shown upon the face of the proposal (*Re Pilling; ex parte Board of Trade*, 1903, 2 K.B. 50); and also that the creditors whose debts have been released cannot vote upon the question of the acceptance or rejection of the scheme (*Re Baines*, 86 L.T. 691). The names of the releasing creditors and the amounts of their debts should also be stated in the proposal.

I wish before I leave this part of my subject to emphasise the fact that a scheme must offer some advantage over bankruptcy. I remember having a case where the debtor's statement of affairs showed assets equal to about 15s. in the £, and the debtor's solicitor calmly informed me that he intended to put forward a proposal for the payment of a composition of 7s. 6d. in the £! He was under the impression that the Court always approved a scheme if 7s. 6d. in the £ was provided for, regardless of the ratio between the debtor's assets and liabilities, and it took me some time to convince him of his error. Needless to say that solicitor's bankruptcy practice was not an extensive one. When the proposal has been approved the receiving order is dis-

charged, and the adjudication (if any) annulled. It is not necessary to provide for these in the proposal itself.

The proposal, having been duly accepted and approved, is binding on all the creditors so far as relates to debts provable in bankrupty, but does not release the debtor from certain debts from which he would not be discharged by an order of discharge following an adjudication (*vide* Section (11). There is, however, always the possibility, sometimes amounting even to probability, that the debtor on his part will fail to carry out the terms of his proposal. The Legislature has provided for this contingency by enacting that the provisions of the proposal may be enforced by the Court upon the application of any person interested (Section 14), and also that if default is made in the payment of any instalment due, or it appears to the Court that the composition or scheme cannot, in consequence of legal difficulties, or for any sufficient cause, proceed without injustice or undue delay to the creditors or the debtor, or that the approval of the Court was obtained by fraud, the Court may annul the composition or scheme, and adjudge the debtor bankrupt. Assuming, however, the debtor to have duly done his part, it only remains for the Official Receiver or trustee to carry out the terms of the composition or scheme.

It is necessary to remember that where a trustee is appointed he must give security to the satisfaction of the Board of Trade, in the same manner as a trustee in bankruptcy, before he can act, and that the provisions of the Bankruptcy Act as to the audit of his accounts, the control of the Board of Trade over him, and other similar matters apply to him; as do also those provisions which relate to the administration of the property of the debtor, so far as the nature of the case and the terms of the composition or scheme admit.

Leeds and District Chartered Accountants Students' Association Annual Dinner.

Presidential Address.

By Mr. John Gordon, F.C.A.

The members of the Leeds and District Chartered Accountant Students' Association dined together on the 20th ult. at the Hotel Métropole, Leeds. Mr. John Gordon, F.C.A. (President of the Association, and Leeds representative on the Council of the Institute of Chartered Accountants), was in the chair, and the company included Mr. W. B. Peat, F.C.A. (President of the Institute of Chartered Accountants), Mr. C. H. Wilson (President of the Society of Incorporated Accountants), Mr. J. S. R. Phillips, Mr. Henry Oliver (Hon. Secretary of the Leeds and District Society of Chartered Accountants), Mr. R. A. Smithson, Mr. W. E. Farr, Mr. W. H. H. Brooks, Mr. James Berry, Mr. Dawson Ward, Mr. F. H. Perrins, Mr. A. F. Dodd, F.C.A. (Chairman of the Union of Chartered Accountant Student Societies) Mr. G. C. Veale, and others. Mr. H. G. Payton, the Hon. Secretary, was prevented from attending through ill-health.

Mr. John Gordon, in the course of an interesting presidential address, said he was there as the successor of Mr. Gaskell Blackburn, who was for many years President of the Society. They had now entered upon a new era. He was to be the first of a changing series, and year by year they would offer fresh victims on the altar of President or Chairman of that Society. (Laughter.) In that he thought they would be doing the right thing. Speaking of the necessity of doing something to get a register of accountants established, Mr. Gordon observed that they wanted the status of the profession fixed. It was a moot point as to whether the Incorporated Accountant should be included with the Chartered Accountant. That was a very difficult question. But on a register they need not do that. Within the ring fence they might be on the register, and yet remain as separate entities. "That can be achieved," said Mr. Gordon, "if the young Chartered Accountants will help. They have been very hostile, for reasons personal to themselves, and very weighty reasons. They look around, and say—Why should we, with our five years' service, and comparatively heavy fees given in order that we may enter the sacred temple of accountants, be put on a level with others who have not had to go through the same mill? I should like to remind the younger members that if that attitude is to be persisted in for ever the ranks of the profession can never be closed up. I am heartily in favour of it, and I believe Mr. Peat has expressed considerable sympathy with it on more than one occasion. We are strong in numbers, and strong in the relative increase of our numbers. Both relatively, and in the total, we are extremely strong." Mr. Gordon went on to say that the desire of the best men was first to secure the protection of the public against the charlatan. That could only be achieved by promoting the prosperity of their profession. He hoped no narrow spirit would stand in the way, and that the young Chartered Accountants would on the first opportunity plump for progress. (Hear, hear.) Their Institute was well on the road to success. Success must also be the aim of the individual accountant. But they wanted more than mere monetary success. They wanted a wide practice. They wanted to be of solid benefit to their clients, and to acquire a good and world-wide reputation. (Hear, hear.)

The Capacity for Industry.

Character was often dilated upon as the greatest factor contributing to a man's success in all professions. That was true. But passing on to the more particular qualities

on which they must rely, he put in the first place industry. He did not mean industry merely in theory. That was good in its way, but it must be subordinated to industry in practical work. (Hear, hear.) If they wished to achieve success they must go in for the genius of taking pains, because theirs was a profession of never-ending detail. Then they wanted in their profession clear thinking. (Hear, hear.) The outsider and the beginner thought there was not much room for thinking in accountancy; they said that two and two made four, and they could not make them anything else, and therefore accuracy was all that was required. But wider experience showed that outside such things as transcendental philosophy there was nothing from which more conflicting conclusions could be drawn than from masses of figures; therefore, to be sure of their arguments, they should, whenever possible, dismiss figures from them altogether. (Laughter.) That he recommended, not only to accountants, but to Protectionists and Free Traders alike. (Hear, hear, and laughter.)

Dealing with answers to questions in examination papers on the provision of sinking fund for the redemption of assets, Mr. Gordon remarked that the opponents of the system always chose some short-lived asset, like an engine, or a boiler, or a cable, stating triumphantly that it would wear out before the expiry of the redemption period, and they always ignored anything like the purchase of gathering grounds, or the construction of reservoirs, which, barring earthquakes or volcanoes, would be in existence eight hundred or eight thousand years hence. Or they talked of "obsolescence"—a hideous word. (Laughter.) Well, thirty years ago gas was said to be obsolete, and gas shareholders were running into the market with their shares. Yet to-day it was giving the electric light such a run for its money that it was taking it all its time to hold up its head against it. The sufficiency of the provision for the sinking fund rested not with the ratepayer or the accountant, and if insufficient the Government Department should be moved to increase it. In Leeds on an equating period they gave a diminishing payment, and until the day arrived when the Government Department got alarmed they might assume that the fund was sufficient. For a purpose of this kind one fund was better than two. (Hear, hear.) In all Corporation undertakings it was provided that if the undertaking itself did not provide a sinking fund the ratepayers must make up the difference. It appeared to him that the opposition to the efficiency of a sinking fund arose largely from a general aversion to municipal trading. Within bounds this aversion was reasonable. But, in his judgment, Corporations should have the power to trade in all things which were in the nature of monopolies, and which disturbed the streets. (Hear, hear.)

Imagination Indispensable.

An accountant, said Mr. Gordon, should have some imagination. People would say, "What? Imagination in a trade so hard and matter of fact?" But they did need imagination in dealing with clients and opponents, especially in the witness-box. (Hear, hear, and laughter.) To be a good witness he must have such imagination as would enable him to surmise what a cross-examining lawyer was after. (Hear, hear.) Another recommendation which Mr. Gordon made to accountants, was that they should read poetry. Some might think that a curious recommendation to make to a prosaic profession. A good accountant should, however, be able to speak clearly and effectively. "Poetry," he remarked, "makes witty, enriches the vocabulary, gives form and colour to your language, and fires the imagination."

As illustrating the growth of the profession, the President mentioned that when he started in it 36 years ago there were about a dozen accountants in Leeds; to-day there were about 120. At the former period they had one accountant for every 20,000 of the population, and now they had about one for every 4,000, or five for every 20,000. Although they had made great progress in the fact that there was much more appreciation of the labour of accountants they had been very slow in associating with each other, and in acquiring cohesion, but they had now a real Accountants' Society in Leeds, which would further the idea of cohesion among men of the same profession. (Applause.)

Mr. R. A. Smithson, who proposed "The Institute of Chartered Accountants," commented on the progress it had made. In 1884 there were 1,467 members, and according to the last report they had 3,480, an increase of over 2,000 in twenty-two years. Leeds had borne a proportionate share in support of the Institute, and they hoped that before very long they might have the Provincial Autumn Meeting of the Institute in their city. (Hear, hear.)

Accountants and Legal Recognition.

Mr. W. B. Peat, President of the Institute of Chartered Accountants, who responded to the toast, said he was very nearly a Yorkshireman. Yorkshire was the place of his adoption, the place where he established his business, and the place where any success which he had achieved had come to him. (Hear, hear.) Turning to the subject of the toast, Mr. Peat said he believed the real interest of Chartered Accountants was to be found in association with their professional brethren. He could remember the time when professional accountancy numbered only some few hundreds altogether, represented by those who became the Institute of Chartered Accountants. In 1880 probably their total number did not exceed 500 or 600. Now they numbered 3,600, but that did not cover the demand of the public for the professional accountant. That demand was not only represented by the Institute, but also by the Incorporated Society. And if they were to go forward in the direction of getting legal recognition for their profession,

of obtaining the inclusion of all who were professionally competent, and of obtaining the exclusion of those who were not so professionally capable, they must adopt no selfish policy. (Hear, hear.) They must act not only for the Institute, but for all other professional accountants. If they went forward hand-in-hand with other professional accountants, he hoped and thought there was a prospect of the Legislature giving legal recognition to their profession. To him that seemed possible only in a register to include every accountant capable of performing his duties. (Applause.)

"The Leeds and District Chartered Accountants Students' Association" was proposed by Mr. A. F. Dodd.

In reply, Mr. J. W. Burrell said that during the year the membership of the Association had risen from 52 to 59, and there had been an improved attendance at the meetings. But they wanted to see a greater interest taken in the Society by practising accountants in the district. (Hear, hear.) He believed that one of the reasons why their progress had not been so great as it ought to have been was because of that lack of interest. As one means of inducing greater interest among the members outside Leeds, it was proposed to hold an ordinary meeting at Bradford.

Mr. G. C. Veale proposed "The Visitors," and claimed for accountancy the designation of a learned profession because of the serious responsibilities they undertook.

Mr. J. S. R. Phillips, replying in humorous vein, said the visitors were a distinguished assembly, some of them men who were accustomed to speak before Leeds audiences in council and out of council; one might almost say, in some cases, in season and out of season. (Loud laughter.) He had in mind the line from "Timon of Athens," where the steward said, "Call me before the strictest auditors and put me on the proof." (Laughter.) He claimed a sort of kinship with accountancy. For if he laid stress on heredity, he might recall the fact that his father was an accountant in the old days when accountants were accustomed to plead in the Bankruptcy Court a remarkably complex law which nobody was expected to understand, and to explain accounts which also were inexplicable. (Laughter.) But beyond that he was a member of a Chartered Institute, which in its initiation had followed the example of the accountants—the Institute of Journalists. Journalists could not set up such strict regulations as accountants, because, unfortunately, in journalism they were obliged to admit any man who could write (the Chairman: "Legibly," and laughter) not legibly, but intelligibly. That was a very different thing (Hear hear.) It did strike him that in a perfect accountant they had a very good summary indeed of some of the qualities which were required in journalism. (Laughter.) If he might be allowed to play upon the word, both accountants and journalists had to deal with accounts. (Laughter.) Then they had to have clear thinking in regard to masses of figures. Journalists had to handle accounts on the spur of the moment at night, and to present masses of statistics in some form which should at least appear intelligible to the ordinary reader. (Laughter.) They must have imagination—(laughter)—in short, they had so many things in common that he regarded himself almost as one of themselves. (Applause.)

Mr. Peat, referring again to the subject of registration, urged that there was a public demand for thoroughly qualified accountants. One of the causes, he thought, was the multiplication of gentlemen of the "brass-plate order," who had no qualification whatever to describe themselves as accountants. The older members of the profession, in his opinion, had little or nothing either to gain or lose by registration. But the younger members would gain, in that they would be fulfilling the public desire. Registration would not succeed unless it was by the goodwill of the younger members of the profession. (Applause.)

"The Chairman" was honoured on the proposition of Mr. P. McC. Wilson, and Mr. Gordon responded.

An interesting musical programme was interspersed with the speeches, the contributors being Messrs. G. L. Barton, F. T. Barwick, and Wilson Foster.

Bristol Society of Chartered Accountants.

Some Difficulties in Trust Accounts, with special reference to Adjustments between Lifeowner and Remainderman where Property is Realisable.

By Mr. Walter Strachan, Barrister-at-Law.

A meeting of the members of this Society was held on Friday, the 7th December 1906, at the Grand Hotel, Bristol, at 5.30 o'clock, under the presidency of Mr. John Ball Ball, F.C.A., of London (Vice-President of the Institute), who was supported by Messrs. Fred. A. Jenkins, F.C.A. (President of the Bristol Society), Clare Smith, F.C.A., and Stephen Tryon, F.C.A., several other members and members of the Students' Society being also present.

The Chairman expressed the pleasure he felt at being present that evening, and his feeling that such meetings must tend to draw the members of the profession closer together. He then called Mr. Walter Strachan, Barrister-at-Law, to read a paper which he had prepared upon "Some Difficulties in Trust Accounts, with special reference to Adjustments between Lifeowner and Remainder-man where property is realisable." The paper was as follows:—

I conceive that the first duty of a Chartered Accountant before he applies himself to the preparation of Trust Accounts (whether they relate to land, or houses, stocks,

shares, or other personal property) is to closely familiarise himself with the contents of the will or settlement which regulates the trust, since should he fail in this he may find his labour ill bestowed because of some clause or wording of the document which was previously overlooked, and which necessitates the entire remodelling of the whole basis on which the accounts have to be prepared.

The subject now proposed to be discussed is of general, and, moreover, is of essential, importance, and every Chartered Accountant will find his work greatly facilitated if he clearly understands the principles of the legal rules involved, and it behoves him to be ever vigilant and on the alert to ascertain whether they apply to the particular case he happens to have in hand.

A very learned Judge, Lord Lindley, in a case relating to one of the rules we are about to discuss, but which rule had been overlooked by the trustees, though they were solicitors, remarked that ninety-nine people out of a hundred, and even ninety-nine solicitors out of a hundred, might have been guilty of the same oversight, which required "the keen eyes of an extremely good equity lawyer" to find out. To be forewarned is to be forearmed, and it is well to remember that the keen eyes of an equity lawyer, or the eagle vision of a Chancery Judge, may perchance discover that a rule of adjustment has been forgotten which will require the accounts to be readjusted on a wholly different footing.

Our subject relates to "Adjustment between Lifeowner "and Remainderman as regards Property realisable under "(1) a Trust for Conversion, or (2) as Wasting or "Insecure Assets, or Reversionary Interests."

Trustees must Exercise Discretion in Realisation of Property.

The law allows trustees and executors a certain amount of discretion in order to prevent property being realised at a loss; thus, though executors have under usual circumstances one year from the testator's death to get in his personal estate, there is no inflexible rule that they must do so at all hazards, disregardless of the monetary interests of those concerned.

"The result of the authorities seems to be that there is "no fixed rule that conversion must take place by the end "of the year, but that is the *primâ facie* rule, and "executors who do not convert by that time must show "some reason why they did not do so." (*Grayburn v. Clarkson*, L.R. 3 Ch. 605.)

The conversion of property which is *expressly* directed to be sold (which direction is known as a "trust for conversion") will be governed by the terms of the will or settlement, and need not detain us.

So we pass to the second branch of our subject—namely, where the Court, in order to mete out even justice between lifeowner and remainderman when there happens to be property of a wasting nature, and in kindred cases, implies an intention on the part of the testator that the property shall be sold unless he has shown a contrary intention.

Rule as to Wasting and Insecure Assets and Reversionary Interests.

This is the law familiarly known as "the Rule in *Howe v. Dartmouth*," and proceeds on the principle that when property of a short duration, wasting away year by year, is left to A. for life and then to B., then, in order that B. or his estate may derive some benefit from the gift, the law compels a sale of the wasting assets and the investment of the proceeds.

The justice of this is apparent. Suppose, for example, that a very wealthy South African dies, leaving his estate to his young widow for life and then to his children. Suppose further that his estate consists of shares in gold mines yielding in some cases, say, a 100 per cent. profit, but the duration of the mines is possibly ten years. Here, unless the law interfered, the widow would receive a very large income, and at her death her children might discover, to their dismay, that their father's capital had practically melted away.

In this instance the remainderman would be injured, but a similar injustice to the lifeowner would arise supposing a man died leaving the bulk of his property invested in reversionary interests, such as policies held on the lives of other persons. Here the Court steps in on behalf of the lifeowner, and says, "These reversionary interests must be "sold, and the money invested so that the lifeowner can "derive some income from the property, which daily "increases in value but yields no income."

The Rule Stated.

It is now purposed to state the rule as to wasting property and the like. The quotation is well known, and the law contained in it was enunciated by the Court of Appeal in 1878.

"The rule itself is a simple one, founded upon a pre-"sumption that where personal estate is given in terms "amounting to a general residuary bequest to be enjoyed "by persons in succession, such persons are to enjoy the "*same thing in succession*, and effectuating the presumed "intention of the testator by this conversion into invest-"ments approved by the Court of so much of the per-"sonalty as is at the death of the testator of a *wasting*, or "perishable, or *insecure* nature, and also of *reversionary* "*interests*." (*Macdonald v. Irvine*, 8 Ch.D. 101.)

The rule thus judicially stated, it will be seen, extends to (1) wasting, (2) or insecure assets, and (3) reversionary interests. An instance of a wasting asset—namely, a gold mine—has been already given. A lease of valuable property having a few years unexpired is not uncommon, and

is another instance of a wasting asset. The case of reversionary interests has been already mentioned.

Whether the Rule as to Insecure Assets applies to Investments of a Permanent but possibly Hazardous Nature.

On principle it seems difficult to see why, for example, if ordinary stock of the London and North-Western Railway is left to A. for life and then to B. that there should be any rule of law which requires it to be sold for the benefit of the remainderman; on the other hand, a man may leave shares in a speculative joint-stock company yielding high dividends which in the interests of the remainderman ought to be sold.

In those circumstances it would be just to the remainderman that conversion should be made, but the law is by no means clear on the point, and it is difficult to say whether the Court at the present day requires all unauthorised investments (that is, investments not authorised by the terms of the trust, or by law as trustee investments) to be realised.

Binding Nature of the Rule requiring Conversion of Wasting and Insecure Assets and Reversionary Interests.

A trustee or executor who neglects to act on the rule we are discussing, and over-pays a lifeowner, is personally liable to make good the amount. Its binding nature wherever it applies has been thus judicially expressed:—"It is quite clear that the rule must be applied, unless "upon the fair construction of the will you find a sufficient "indication that it is not to be applied, the burden in any "case being upon the person who says that the rule of the "Court . . . ought not to be applied in the particular "instance." (*Macdonald v. Irvine*, 8 Ch.D. 101.)

At this stage of our discussion it may be well to review what has been said. We have seen that property is realisable either (1) under an express trust for conversion of it, or (2) because the law implies a sale in certain cases in order to effect justice between the beneficiaries. We have further seen that though executors must realise property required to be sold (as a general rule within one year), yet where circumstances justify delay some latitude is allowed them.

Bearing these factors in mind we next proceed to inquire what are the practical methods of adjustment adopted by the Court under the circumstances.

In order to attain brevity I propose to state the law which governs the conversion of property as regards the respective rights of lifeowner and remainderman in the four following rules.

Rules applying to Adjustment between Lifeowner and Remainderman as regards the Conversion of Property.

Rule I.—(*a*) Except where Rules III. and IV. apply, when property either (1) impliedly under the rule relating to wasting assets, or (2) expressly under a trust for conversion, is properly convertible within *the first year* succeeding the testator's death, then the rights of lifeowner and remainderman are to be adjusted as follow.

(*b*) The property must be deemed to have been converted at the end of the first year, and the proceeds invested in 2½ per cent. Consols, and the lifeowner is entitled as from the testator's death to the interest (*i.e.*, dividends) on the sum so deemed to have been invested in Consols. (*Brown v. Gellatly*, L.R. 2 Ch. 751.)

Illustration.—Testator gives his residuary estate (which includes colliery shares of a wasting nature yielding large dividends) to A. for life, and then to B. B. (the remainderman) can require the shares to be sold, and A. (the lifeowner) will be entitled to interest from the testator's death on such sum of Consols as would be produced if the shares had been sold one year after the death and invested in Consols.

Rule II. (*a*) Except where Rules I., III., and IV. apply, when property is convertible either (1) impliedly as wasting assets, or (2) expressly under a trust for conversion, the rights of lifeowner and remainderman are to be adjusted as follow.

(*b*) A value must be placed on the property as if it had been converted at the testator's death, and the lifeowner is entitled to such rate of interest as under all the circumstances of the case would be a fair equivalent for the annual income derivable from the proceeds if invested at the death. (*Wentworth v. Wentworth* (1900), A.C. 163.) The present rate of interest which should probably be taken is 3 per cent. (*Re Woods* (1904), 2 Ch. 4.)

Illustrations.—(1) Testator gives his estate (which includes certain shares) to A. for life, and then to B. The executors could not realise the shares, except at a loss, until two years after the testator's death. A value must be placed on them as at his death, and the lifeowner is entitled not to the actual dividends pending conversion, but to interest at an ascertained rate from that time, which would at present be 3 per cent.

(2) Freeholds are given in trust for conversion. A., the lifeowner of the proceeds, is not entitled to the rents pending the sale, but to interest at an ascertained rate on the value of the freeholds at the testator's death.

(3) Land is given in trust for conversion, and A. is entitled to a life-interest in the proceeds. The sale is deferred, and ultimately the land is sold for building purposes for a large sum, but has yielded in the interval a merely nominal rent. The lifeowner is entitled to an adjustment as if the property had been sold and the proceeds invested at the testator's death.

Rule III.—(*a*) Except where Rule IV. applies, when a reversionary interest (or property adjustable on the same footing as a reversionary interest) is convertible, the rights of lifeowner and remainderman are governed by the rule in *Re Chesterfield's Trusts* (24 Ch.D. 643), namely—

(*b*) Inquire the sum which, put out at 3 per cent. (see *Rowlls v. Bebb*, 1900, 2 Ch. 107) per annum on the day of the testator's death, and accumulating at compound interest calculated at that rate, with yearly rests, and deducting income-tax, would, with the accumulation of interest, have produced at the day of receipt the amount actually received, and the sum so ascertained is capital and the residue of the sum received is income.

Note.—The mode of adjustment rests on the principle that the rights of lifeowner and remainderman are to be treated as if the reversionary interest had been realised at the testator's death and invested. The amount when it falls into possession represents a return of capital with interest in the interval.

Now, if any part of the capital, say, for example, £100 is taken, and compound interest from the testator's death to the date the reversionary interest falls in is added, we arrive at a sum representing an ascertained amount of capital and an ascertained sum of interest.

What is true of part is true of the whole, and by dividing the actual sum received in these proportions we ascertain how much of the whole amount received is to be treated as capital and how much as interest.

Illustration.—Testator's estate included a reversionary interest. He died in 1852, and thirteen years afterwards the reversion fell in, when £8,656 10s. 7d. was received. Now if £100 had been placed out at the testator's death in 1852 at compound interest at 4 per cent., in thirteen years, when the reversion fell in, it would have yielded £67 6s. 10d. Dividing £8,656 10s. 7d. in the proportions of £100 to £67 6s. 10d. (thirteen years' compound interest), say, roughly, three-fifths of the sum received, the result is

Capital	£5,172 19 0
Interest	3,483 11 7
	£8,656 10 7

Note.—Interest would now be at 3 per cent, and income-tax is deductible. These figures are from a case noted in *Re Chesterfield's Trusts.*

Rule IV.—The preceding rules will not apply where a lifeowner is entitled to enjoy the income of the property in specie (*i.e.*, to receive the *actual* income pending conversion) by reason of (1) the construction placed on the terms of the will or settlement, or (2) by implication of law, which gives him in either case the right to receive the entire actual income.

This last rule concerns the construction or legal effect of the document relating to the property to be realised in accordance in some instances with principles of construction established by decided cases which determine whether the lifeowner was intended to take the actual income of the wasting property (or whatever the property may be), but with this part of our subject it is not proposed to deal.

General Comment on the Rules of Adjustment.

There is also what probably may be called an additional rule to the four rules already mentioned, but it is rather an obvious one. It was recently decided that where any income to which a lifeowner is not entitled becomes capital and is invested, the income derived from it belongs to the lifeowner (*Re Woods*, 1904, 2 Ch. 4)—*e.g.*, suppose an investment yielding 10 per cent. ought to have been converted at the end of the first year, and the executors, according to the foregoing rules, ought to pay the lifeowner only 3 per cent., the remaining 7 per cent. must be invested, then becomes capital, and the lifeowner is entitled to the interest on it.

The four rules thus formulated contain, it is believed, the principles which a Chartered Accountant has to bear in mind in the preparation of Trust Accounts, and they are probably more or less known to members of the profession. The rules of adjustment between lifeowner and remainderman may be summarised thus. Rule I. meets the ordinary case where personal property, such as stocks or shares, can be realised without loss within the usual period of one year allowed to executors. Here the basis of adjustment is realisation at the end of *the first year* and investment in Consols. Rule II. meets the case where the circumstances are such that the first year rule does not apply. Here the value of the property is taken as at the death, and an ascertained rate of interest (usually 3 per cent.) on the capital value is paid to the lifeowner. Rule III. deals with reversionary interests, and Rule IV refers to cases where the lifeowner is presumed to have been intended to take the actual income pending conversion, according to the terms of the will or settlement.

The first three rules have been developed by the Judges during the last hundred years. The principle, for instance, of securing wasting property for the benefit of the remainderman is obviously founded on good sense, and the rules generally would probably commend themselves to men of business. The actual rules of thumb adopted may be open to criticism, especially at the hands of skilled accountants and actuaries, and that criticism would be valuable. For example, it is not easy to see why Rule I. (the first year rule) should not be incorporated in Rule II., but the two rules clearly exist. (*Brown v. Gellatly*, L.R. 2 Ch. 751.) The inconvenience of having to make a calculation of investment in Consols in applying Rule I. was pointed out in a case decided in 1851. (*Morgan v. Morgan*, 14 Beav. 72.)

The conclusion, it may be suggested, to be drawn from the observations which have been made is this: That a Chartered Accountant should not begin the preparation of his accounts unless he has clear instructions from those by

whom he is employed as to which of the four rules is applicable in the particular case in which his services are required; or, to express the same thing differently, never commence your accounts until you know clearly whether the lifeowner is or is not entitled to the actual income of property which ought to be realised.

The paper was followed by some remarks by the Chairman, after which Mr. Clare Smith moved a vote of thanks to the lecturer, which was seconded by Mr. Fred. A. Jenkins. Both these gentlemen made observations upon the paper, and a general discussion of considerable interest ensued.

Mr. Strachan, in returning thanks, answered many questions which had been asked, and took up the points raised by the various speakers. A successful meeting being brought to a close by a hearty vote of thanks to Mr. Ball for presiding.

The members of the Society dined together afterwards, under the presidency of Mr. Fred. A. Jenkins, when the following guests were present:—Mr. John Ball Ball, F.C.A., Hon. George Colville (Secretary of the Institute), Messrs. Walter Strachan, Louis C. Danger (President of the Bristol Incorporated Law Society), H. L. Riseley, G. H. Boucher, and A. E. Ashmead (Lecturers to the Bristol Chartered Accountants Students' Society), F. H. Thorpe, and Arthur Taylor (London).

The Northern Chartered Accountants Students' Society.

Third Annual Dinner.

The third annual dinner of the above Society took place at Gilley's Restaurant, Newcastle-upon-Tyne, on 11th December 1906.

Mr. F. C. Squance, F.C.A., President, occupied the chair, and was supported on the right by Mr. Thomas Gourlay, Official Receiver in Bankruptcy, and on the left by Mr. E. Clark, solicitor, these two gentlemen, together with Mr. Penman, solicitor, Gateshead, and Mr. M. W. Emley, Secretary of the Newcastle Law Students' Society, being the guests of the evening.

After the loyal toasts were duly honoured, Mr. E. Clark proposed the toast of "The Northern Chartered Accountants Students' Society," and dwelt upon the advantages which such Societies afforded to students of meeting their contemporaries.

Mr. G. Atkinson (Hon. Secretary) responded, and gave an account of the work of the Society during the past year.

Mr. A. Wigfield, A.C.A., proposed "The Legal Profession," and Mr. Penman responded.

Mr. W. C. Forster, F.C.A., proposed "Our Guests," and Mr. Gourlay responded.

Mr. H. H. Bowden, A.C.A., in proposing the toast of "The President," dwelt upon the valuable work which the Working Union was doing in the education of accountant students.

Mr. Squance suitably responded.

A number of excellent songs and recitations were given by Mr. Tompkins, of Newcastle.

Union of Chartered Accountant Student Societies.

At a meeting of the Joint Committee, held in London, on Thursday, the 6th December last, the following Students' Societies were represented:—Bristol, Birmingham, Hull, Liverpool, London, Manchester, Northern, Nottingham, and Sheffield. An apology for non-attendance was received from the Leeds Society.

Mr. A. F. Dodd, F.C.A., presided, and there were present, Mr. G. H. Redfern, A.C.A. (Hon. Secretary), and a good attendance of delegates.

The minutes of the last meeting, held on the 8th December 1905, were confirmed, and the reports relating to prize essays, lectures, and joint debates for the current year, were duly adopted.

The Chairman announced that the Leeds and District Chartered Accountants Students' Association had become affiliated to the Union during the year, and that now the Union embraced all the Chartered Accountant Students' Societies in England.

The Chairman further announced that a deputation had attended a Conference with the Students' Grants Committee of the Institute on the 20th November last, at which Conference the educational needs of provincial Students' Societies were fully explained. The reply of the Institute when received, would be communicated to the various Societies interested.

The accounts for the year ended 31st December 1905, duly audited, were submitted to the meeting, and adopted.

An estimate of expenditure for the current year was submitted, and a levy at the rate of 3d. per member (bringing up the total levy for the year 1906 to 6d. per member) was authorised to meet the said expenditure.

Mr. A. F. Dodd, F.C.A., was re-elected Chairman, and Mr. G. H. Redfern, A.C.A., was re-elected Hon. Secretary for the ensuing year.

On the proposition of Mr. Bowden (Northern), seconded by Mr. Campbell (Kingston-upon-Hull), the cordial thanks of the meeting, accompanied by a small honorarium, were presented to the Hon. Secretary, Mr. G. H. Redfern, A.C.A., as a slight recognition of his labours on behalf of

the Union during the past year. Mr. Redfern having suitably replied, it was then provisionally arranged to hold the next general meeting of representatives in Nottingham.

Other general business having been disposed of, and hearty votes of thanks passed to Mr. H. Lanham, A.C.A., for the use of the meeting room, and to those who had served on the various Committees, the proceedings then terminated.

The Society of Accountants and Auditors.

Examination Results, December 1906.

Final (Honours Candidates in Order of Merit).—Albert Allen, Sheffield (First Prize and First Certificate of Merit); Robert Alexander Wetherall, Stalybridge (Second Prize and Second Certificate of Merit); Charles Townsend, Leeds (Third Certificate of Merit); Frank Arthur Crew, London (Fourth Certificate of Merit); Jamshed Rustamjee Batliboi, London (Fifth Certificate of Merit); James Leslie Milne, Bootle (Sixth Certificate of Merit); Arthur Frederick Gill, London (Seventh Certificate of Merit); Arthur Henry Hales, London (Eighth Certificate of Merit).

(Alphabetical Order).—Thomas Francis Banville, Manchester; Herbert Overall Barnsley, Walsall; Ernest Victor Blake, London; William Clemens, London; Timothy Coleman, Cork; Robert Hollows, Wigan; Herbert Kirkwood, Glasgow; Thomas Latham, Wigan; John Turner Lennox, London; John Lomax, Bolton; Robert Rayner MacConnal, Liverpool; Christopher Percy Oswald, London; Charles Rothwell, Eccles; William Keller Snow, Guildford; Reginald Lawrence Tayler, London; Herbert James Thompson, Newcastle-upon-Tyne; Herbert John Tyson, Newcastle-upon-Tyne; Clifford Yewdall, Leeds. (Seventeen candidates failed to satisfy the examiners.)

Equivalent to Final (Alphabetical Order).—James Barker, Huddersfield; Ascot Bush, Stockton-on-Tees; John Broyden Carrington, London; Arthur James Harper, London; Richard James Reed, London; John Thomas Slater, Oldham; John Sanders Walkley, London.

Intermediate (Honours Candidates in Order of Merit).—Ernest Cecil Hawksworth Tabbern, Leicester (Prize and First Place Certificate); Charles Percival Barrowcliff, Stockton-on-Tees (Second Place Certificate); Bernard Arthur Gaunt, Leeds (Third Place Certificate).

(Alphabetical Order).—Walter Lewis Addyman, Leeds; Donald Harry Bates, Hanley; William Joseph Blakeley, Hull; Frank Bland, Southend-on-Sea; Ralph Macaulay Branson, Batley; George William Briggs, Leeds; hur Edward Brockes, London; John Bower Brown, Sheffield; Leslie Edward Brown, Leeds; Thomas Booth Brown, Manchester; Arthur Paulet Byers, London; Frederick Henry Carter, London; James Arthur Clarkson, Ashton-under-Lyne; Herbert Dodd, London; Percy Boys Dodd, Manchester; Alfred Harman Edwards, Dorchester; Marcus Huntingdon Eve, London; Frank William Anton Eveleigh, London; Major James Faulks, London; Arthur Julius Feek, Birmingham; Harry Clegg Fraser, Manchester; Leonard Gilbert, Manchester; Percy James Goodchild, London; George Frederick Grimshaw, Manchester; William Symonds Growtage, Bridgwater; George Percival Harrison, Birmingham; William Lidford Hartley, London; James Albert Hulme, Manchester; Arthur Egbert Humm, London; George Harry Johnson, Wolverhampton; Henry Ewart Jones, Wrexham; William Lloyd, Dudley; Alfred Bertram Mason, Birmingham; Thomas William Moorby, Beverley; Alfred Edwin Olivant, Bradford; John William Priestley, Nottingham; Frank Richardson, Wigan; Charles Brent Smith, Gloucester; Thomas Bertram Smith, Ashton-under-Lyne; William Henry Smith, Manchester; John Charles Spurgen, Folkestone; Norman Thompson, Bishop Auckland; Charles Vannix, Norwich; Edgar Garfield Walton, West Hartlepool; William Whitfield, London; Alexander Allen Wright, Belfast. (Seventeen candidates failed to satisfy the examiners.)

Preliminary (Alphabetical Order).—John McLellan Allison, Wrexham; Henry Bailey, Whaley Bridge; Robert Moffat Berry, Keighley; Eric Charles Burroughs, London; Donald Chidloe Cameron, London; Edward Clough, Keighley; Leonard Dunhill, Dewsbury; Harold William Flint, Sheffield; Frank Herbert Harper, London; Frank Leonard Hickmott, Longfield; Thomas Jewitt, Stockton-on-Tees; Rupert Lindley, Shipley; Lewis Lord, Bacup; Cedric St. John Lucas, Southampton; Leslie Howson Pullen, London; John Ramsay, Glasgow; George Harwood Rigby, Horwich; Henry Rose, London; Edgar Albert Shuter, Southampton; Frederic Vital Simmons, London; Alfred Jasper Stickland, Wolverhampton; William Robert Wildridge, London; John Gilbert Wright, Stoke-on-Trent. (Seven candidates failed to satisfy the examiners.)

The Gloucester Railway Carriage and Wagon Co., Lim., Gloucester, have sent a presentation copy of the "Gloucester Diary" for 1907, in which is included a "Directors' Calendar," and a note on each day throughout the Diary to enable the periodic recurrence of fixed engagements to be recorded, such as Board or Council Meetings, fixed to be held, for example, on the second Tuesday in each month. Among the notes for visitors to Gloucester particulars are given respecting many features of interest, including the Severn "Bore," the Gloucester "Mop," and the "Festival of the Three Choirs," which is perhaps the oldest and most important annual musical meeting held in Great Britain (the Welsh Eisteddfod alone excepted). This Festival occurs in Gloucester, in September 1907.

Statistical Abstract of Failures and of Bills of Sale

Published in "Kemp's Mercantile Gazette" during the Year 1906.

England and Wales.	Bankruptcies.				Deeds of Arrangement.				Bills of Sale.			
Trades.	Totals.		Increase 1906	Decrease 1906	Totals.		Increase 1906	Decrease 1906	Totals.		Increase 1906	Decrease 1906
	1906	1905			1906	1905			1906	1905		
Bankers	2	1	1	..	..	..	..	..	..	1	..	1
Building and Timber Trades	616	645	..	29	443	509	..	66	475	539	..	64
Chemists and Druggists	81	80	1	..	59	56	3	..	129	152	..	23
Coal and Mining Trades	145	129	16	..	73	64	9	..	120	143	..	23
Corn, Cattle, and Seed Trades	217	242	..	25	155	145	10	..	358	383	..	25
Drapery, Silk, and Woollen Trades	394	394	..	..	705	723	..	18	410	448	..	38
Earthenware and Glass Trades	23	27	..	4	37	48	..	11	20	18	2	..
Farmers	190	214	..	24	142	193	..	51	343	378	..	35
Furniture and Upholstery Trades	71	82	..	11	126	154	..	28	98	125	..	27
Grocery and Provision Trades	917	991	..	74	889	985	..	96	780	914	..	134
Hardware and Metal Trades	129	95	34	..	171	167	4	..	122	140	..	18
Iron and Steel Trades	114	148	..	34	104	111	..	7	233	245	..	12
Jewellery and Fancy Trades	169	206	..	37	206	228	..	22	186	266	..	80
Leather and Coach Trades	181	209	..	28	251	280	..	29	209	141	68	..
Merchants, Brokers, and Agents	194	251	..	57	74	63	11	..	304	371	..	67
Printing and Stationery Trades	96	84	12	..	111	106	5	..	185	252	..	67
Wine, Spirit, Beer, and Tobacco Trades	318	363	..	45	205	220	..	15	382	469	..	87
Miscellaneous	589	642	..	53	126	102	24	..	3303	3452	..	149
Totals for England and Wales	4446	4803	..	357	3877	4154	..	277	7657	8437	..	780
" Ireland	164	198	..	34	323	382	..	59	230	218	12	..
" Scotland*	629	653	..	24	551	584	..	33	..	..	..	..

* In Scotland "Estates Sequestrated" and "Cessio Bonorum" take the place of "Bankruptcies," and "Trust Deeds" take the place of "Deeds of Arrangement." The Bills of Sale Acts do not apply to Scotland.

It has been pretty clear for some time past that trade has been steadily recovering from the severe commercial depression through which the country has passed during the last few years. A glance at the figures of gazetted failures given above shows that during 1906 the improved conditions have been general, and, excepting the cases of three particular trades, affect all trades alike. Taking the figures for England and Wales, the striking feature is the remarkable decrease in the number of bankruptcies, which come out at a total of 4,446, compared with 4,803 for the preceding year, showing a net decrease of 357, after allowing for an increase of 64 bankruptcies in certain specified trades over last year's figures in the same trades. Turning to the statistics for deeds of arrangement, we find an equally satisfactory improvement, the figures being 3,877 for last year, as against 4,154 for 1905, or a falling-off of 277. But here, again, there has been an increase of 66 in the number of deeds, as regards certain trades, mainly the same trades as were responsible for the increase in bankruptcies. Comparing the figures for the past two years in these two methods of administering insolvent estates, we find that the tendency has been to prefer official bankruptcy to any sort of arrangement by means of registered deed. It may be, of course, that there were cases of private arrangement by receipts, without any registered deed, but this method is not favoured by creditors, and the gazetted figures would, probably, not be materially affected by the cases that may have been carried out in this way. The fact seems to be that at present creditors prefer to have an official investigation, and, perhaps, this is not surprising when it is remembered that lately a kind of professional trustee has been growing up who lives and thrives on deeds of arrangement, and does not always consider the real interests of the creditors, and so the preference during the last two years appears to have been for bankruptcy pure and simple. From the point of view of actual pecuniary gain to creditors, one method is, probably, quite as costly and unsatisfactory as the other.

The general improvement is shown most strikingly in the figures dealing with bills of sale. Here we find that for England and Wales there is the very large net decrease of 780, the figures for 1906 being 7,657, as against 8,437 for 1905. The figures for 1904 were 7,922, so that 1906 not only wiped off the very heavy increase of 515 which took place in 1905 but also effected a decrease of 265 on the figures for 1904. It is satisfactory to notice that the improvement in this particular table is reflected most largely in those trades which had in previous years been most hardly hit by the depression then prevailing. The grocery and provision trades, for example, which in 1905 showed 169 more bills of sale than in the previous year, had in 1906 the substantial decrease of 134. The building and timber trades, too, which in previous years had heavy figures in our lists. now show an improvement, the bills of sale in these trades during 1906 being 475, as against 539 in 1905, or a falling off of 64. And the same satisfactory results are shown in

all the other trades, with the exception of two—the earthenware and glass trades, where there is an increase of 2, and the leather and coach trades, where 68 more bills of sale were registered last year than in the preceding year. Taking this table all through, it shows very clearly that trade conditions were far less stringent in 1906 than they were for several years previously, and it seems to promise well for the ensuing year.

Turning to the statistics of gazetted failures for the whole of the United Kingdom, we find the same improvement upon the two preceding years. In 1906 the total was 9,990, as against 10,774 in 1905, and 10,666 in 1904, giving a decrease of 676 compared with 1904, and 784 compared with 1905, the figures for the latter year being the highest for any of the past ten years. This result is arrived at by taking the returns for the whole Kingdom, but the improvement is still shown if the figures are taken for each country. The decrease in each case is, in England and Wales 634, in Scotland 57, and in Ireland 93. Although we are still a long way ahead of the figures during the years 1895 to 1903, the statistics show that a very substantial improvement has taken place during the past year, and we may hope for still better results to come.

Some interesting figures will be found in the comparative table of failures in the various trades. Thus, in the building and timber trades, which have suffered so badly for several years, the number of failures last year was smaller than in any previous year since 1902, while in the chemists and druggists trades the figures have been steadily increasing during the same period. In the drapery trade, things appear to remain at much the same average. There was in this trade, however, a decrease of 18 in deeds of arrangement, and no alteration in bankruptcies. The preference which is shown in this trade for deeds of arrangement is clearly seen, the number of deeds being 705, as against 394 bankruptcies. The actual recorded failures in the grocery and provision trades remains at the high figure of 1,080, and, although this is a decrease on the previous year's figures, it still stands much higher than it did in preceding years. The trades which have come off best are the iron and steel trades. Farmers in England and Wales appear to have done rather better last year, the bankruptcies showing 24 less than in 1905, and there were also substantial decreases in Scotland and Ireland. In the winding-up of public companies we have in England and Wales a net increase of 37, and in Scotland an increase of 24. In Ireland there is a decrease of 8. The increase in England and Wales is made up almost entirely of commercial and manufacturing companies. Probably many of these were formed to take up businesses which otherwise would have figured in the bankruptcy returns in the ordinary way, and did no better for being incorporated, and possibly a number of the companies were so badly hit by the depression of the past few years that they could not hold out any longer. In the case of company winding-up, the preference appears, from the figures, to be for voluntary, as against compulsory, administration.

The debentures issued for 1906 amounted to £78,594,598, compared with £78,214,438 for 1905.

Failures of Farmers.

The following are the variations in the official Failures of *Farmers* during the past 12 years;—

Farmers	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906
England and Wales	303	258	241	188	135	170	155	178	156	185	214	190
Scotland	36	53	42	44	24	25	38	40	31	49	48	33
Ireland	20	28	19	20	21	17	14	19	21	14	24	15
United Kingdom..	359	339	302	252	180	212	207	237	208	248	286	238

Failures in the United Kingdom.

The statistics of Failures in the United Kingdom for the 19 years since the Deeds of Arrangement Act, 1887, came into operation, to the end of 1906, are:—

Year	England and Wales	Scotland	Ireland	Total
1888	8,389	1,596	278	10,263
1889	8,077	1,464	243	9,784
1890	7,353	1,463	290	9,106
1891	7,430	1,347	484	9,261
1892	8,221	1,280	513	10,014
1893	9,116	1,434	472	11,022
1894	8,976	1,284	408	10,668
1895	8,140	1,245	405	9,790
1896	7,701	1,300	400	9,401
1897	7,526	1,165	493	9,184
1898	7,758	1,170	567	9,495
1899	7,352	1,174	587	9,113
1900	7,996	1,356	490	9,842
1901	7,852	1,310	525	9,687
1902	7,782	1,240	501	9,523
1903	8,137	1,163	572	9,872
1904	8,875	1,284	507	10,666
1905	8,957	1,237	580	10,774
1906	8,323	1,180	487	9,990

Failures in the Various Trades.

Throughout the United Kingdom the "gazetted" Failures were thus distributed amongst the following trades, and, for comparison, we also give the total number in each trade, in 1905, 1904, 1903, and 1902 :—

	1906	1905	1904	1903	1902
Bankers	2	1	1	2	1
Building and Timber Trades	683	720	711	710	721
Chemists and Druggists	94	86	87	66	61
Coal and Mining Trades	163	143	136	146	102
Corn, Cattle, and Seed Trades	260	272	298	253	256
Drapery, Silk, and Woollen Trades	441	442	440	449	411
Earthenware and Glass Trades	27	27	31	34	20
Farmers	238	286	248	208	237
Furniture and Upholstery Trades	83	91	111	103	79
Grocery and Provision Trades	1,080	1,155	1,007	1,016	955
Hardware and Metal Trades	150	116	110	80	83
Iron and Steel Trades	129	169	213	167	174
Jewellery and Fancy Trades	182	226	215	175	193
Leather and Coach Trades	200	236	229	199	201
Merchants, Brokers, and Agents	246	301	255	242	291
Printing and Stationery Trades	101	97	93	99	96
Wine, Spirit, Beer, and Tobacco Trades	381	436	413	380	443
Miscellaneous	779	850	790	765	806
Totals for the United Kingdom	5,239	5,654	5,388	5,094	5,130

Winding-up of Public Companies.

The following Windings-up of Public Companies were published during the years 1906 and 1905 :—

	Compulsory		Voluntary		Summary			
	Totals		Totals		Grand Totals		Increase	Decrease
	1906	1905	1906	1905	1906	1905	1906	1906
Banking	1	3	7	7	8	10	..	2
Commercial	87	70	1,342	1,343	1,429	1,413	16	..
Manufacturing	19	16	228	208	247	224	23	..
England and Wales	107	89	1,577	1,558	1,684	1,647	37	..
Scotland	1	..	123	100	124	100	24	..
Ireland	4	4	31	39	35	43	..	8

Bonds and Judgments in Ireland.

The following Bonds and Judgments in Ireland were published during the past 10 years :—

	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906
Farmers	1,182	1,231	979	820	642	795	675	763	954	1,066
Traders	854	928	1,046	926	950	1,011	841	938	935	1,184
Non-Traders	699	748	732	681	601	611	595	658	698	736
Total	2,735	2,907	2,757	2,427	2,193	2,417	2,111	2,359	2,587	2,986

Protested Bills of Exchange in Scotland.

The following Protested Bills of Exchange in Scotland were published during the past 12 years :—

1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906
1,050	1,000	894	867	840	810	834	681	675	638	597	525

Currency Commission: Report of the American Bankers' Association.

AN address by Mr. FESTUS J. WADE, delivered before the Bankers' Club, Detroit, Mich., December 7th 1906.

The Currency Commission, composed of fifteen representatives of financial institutions from different parts of the country, reached a unanimous conclusion, and the report represents the opinion of the entire Commission, and it is the hope and belief of the Commission that the principles proposed, when thoroughly understood by the people of the country, will meet the approbation of Congress, and result in the passage of a Bill embodying the principles suggested.

It is easy to criticise, but the Commission found it necessary to construct a set of principles that would work in harmony with the seven forms of existing currency; form suggestions that would ultimately retire at least two forms of currency; and always keep in mind the fact that the national banks of the country own, as security for outstanding circulation, bonds at par to the extent of $520,000,000. Consequently, before any set of principles were adopted, the fact that any move likely to cause depreciation of the outstanding Government bonds would be an injury to the national bank had to be constantly borne in mind.

Without further prelude, I will explain each section of the report, as I understand it.

Section 1.—Credit Bank Notes.

The qualifications of a national bank to issue credit currency are twofold. First, it must have been in existence at least one year. Second, it must have a surplus of at least 20 per cent. of its capital stock.

Section 2.—Two and One-half Per Cent. Notes.

The primary purpose of this section is to create a currency that will supply the need of our rapidly expanding commerce.

If we do not wish to decrease our stock of money, it is manifest some new form of currency must be provided, because with the constantly decreasing bonded debt of the country and with a simultaneous increase of the capitalisation of national banks, state banks, and trust companies, the bond secured national bank note has been brought to about a maximum of its issue.

From a careful reading it will be observed that a bank cannot issue more than 25 per cent of its capital in credit currency notes, which are subject to taxation at the rate of 2½ per cent. per annum upon the average amount of notes outstanding, *unless or until* the present proportion of the total outstanding unmatured United States bonds, to the total capitalisation of all going national banks, shall diminish. Then the authorised credit notes shall be increased to a correspondingly greater percentage of its bond secured circulation.

For the purpose of explaining this provision, we will assume the present unmatured Government bonds to be ... ... $900,000,000.
The capital of all the national banks ... $800,000,000.
The outstanding bank circulation ... ... $500,000,000.
The proportion of bond secured circulation to the total national bank capital would therefore be 62½ per cent. or five-eighths.

Let us assume that the Government pays off within one year Government bonds to the amount of $100,000,000, thus leaving the bonded debt $800,000,000, or reducing it one-ninth. It is fair to assume that the bond secured circulation of banks would be reduced one-ninth, or in equal proportion. If, therefore, the present ratio of, say, 62½ per cent. was reduced one-ninth, or say 7 per cent., to 55½ per cent. of the bank capital, the working of this section would be to enable the bank to issue the credit currency taxed at 2½ per cent. to an amount equal to 32 per cent. of the capital; that is to say, 25 per cent. plus 7 per cent., or approximately 58 per cent. of the outstanding bond secured circulation.

For example, supposing the present circulation to be $500,000,000. If it is reduced one-ninth, or $55,000,000. It would be ... ... $445,000,000. Which latter sum is approximately 55½ per cent. of the assumed capitalisation of the national banks.

At present the maximum amount of 2½ per cent. credit currency would be 25 per cent. of the total amount of capitalisation, or $200,000,000. This section proposes to increase the issue of bank credit notes by an amount equal to the former reduction of $55,000,000, making the total 2½ per cent. bank credit notes $255,000,000, equal to about 32 per cent. of the total capitalisation, or 58 per cent. the remaining outstanding bond circulation. This would mean that either with decrease in bonded debt of the Government, or increased capitalisation of the national banks, the percentage of credit notes would increase. But this is necessary if we do not wish to decrease the bank note circulation, and particularly if we wish to render the bank credit currency elastic.

A reserve of 25 per cent. lawful money must be kept against these credit currency notes, issued by banks in central reserve cities, and the same reserve as now required against reserve cities and country banks, which reduces the loanable funds to 75 per cent. of the total issued by each bank. Therefore, that, in effect, increases the tax to 3⅓ per cent. in central reserve cities.

Again, bear in mind the expense (merely physical expense—clerk hire, stationery, postage, messengers, and incidentals, entirely independent of cost of printing, redeeming, and retiring these notes by the Government,

which expense is intended to be paid out of the tax) of the actual daily redemption which will amount, it is estimated, to at least one-half of 1 per cent., or $5,000 per year for each $1,000,000, bank credit notes outstanding. Therefore, this will operate to increase the tax to an interest rate equivalent to 3⅝ per cent. per annum, which each bank will be paying on its bank credit notes for each day its notes are in circulation, which interest the bank can save as soon as it redeems its notes.

A bank credit note is nothing more nor less than a demand certificate of deposit, or a cashier's cheque upon which, as shown above, it will cost the issuing bank interest at the rate of 3⅝ per cent. per annum for every day it is outstanding, with the probability of its being presented at any moment.

Thus a bank will make every effort to keep its credit notes in circulation during high interest periods, and a like effort to promptly redeem its notes in times of redundancy of money.

It will be noted we are only now discussing the credit bank notes which are taxed at the rate of 2½ per cent. per annum.

Take, for example, a bank with a capital of $1,000,000, surplus of $200,000. As a minimum it could issue its bond secured circulation of $50,000. It could issue, of 2½ per cent. interest-bearing credit bank notes, 40 per cent. of $50,000 bond secured notes, or $20,000. Thus with $50,000 bond secured circulation, a bank with a capital stock of $1,000,000 and a surplus of $200,000 would have outstanding only $20,000 of the 2½ per cent. taxed credit bank notes, but as a maximum bond secured circulation and maximum issue of 2 per cent. taxed bank credit note circulation, it could have:

Bond secured circulation, 75 per cent. of ...	$750,000
Credit bank note circulation, bearing 2½ per cent.	$250,000

You will note from above that I have confined myself entirely to the bank credit note which is to be taxed at the rate of 2½ per cent. per annum, and that particular class of bank credit notes may be termed elastic, flexible, or credit currency.

Section 3.—Five Per Cent. Notes.

The 5 per cent. credit bank note may be properly termed emergency currency, plain, pure and simple. It has no relation whatever to the 2½ per cent. currency. A bank may issue of this currency to the full extent of 12½ per cent. of its capital, even though it only has a minimum amount of bond secured bank note circulation outstanding. To illustrate: A bank with a capital of $100,000 can, as a maximum, issue the following currency:—

6½ per cent. of its capital in bond secured bank note circulation	$62,500
25 per cent. of its capital in 2½ per cent. credit bank note currency	$25,000
12½ per cent. of its capital in 5 per cent. credit bank note currency	$12,500
Total	$100,000

Or it may eliminate both forms of credit bank note currency, and issue, as at present authorised, $100,000 in bond secured bank note circulation.

Another illustration: Take a bank with a capital of $1,000,000. It is obliged to have in existence a bank note circulation of ... ... $50,000.

It may issue, if it desires, 20 per cent. of that bond secured circulation in 2½ per cent. bank credit notes ... ... $20,000.

Then, without increasing its bond secured circulation one dollar, it may, if it chooses, issue 12½ per cent. of its capital in 5 per cent. bank credit notes ... ... $125,000.

Issuing all told in bank note circulation ... $195,000.

Of course, it has the same privilege as the smaller bank, and in order to issue the maximum of 2½ per cent. and 5 per cent. credit notes, it will be obliged to issue 62½ per cent. of its capital in bond secured circulation ... $625,000.

It could then issue 25 per cent. in 2½ per cent. bank credit notes ... ... £250,000.

And would then be permitted to issue 12½ per cent. of 5 per cent. bank credit notes, or $125,000.

Total ... ... $1,000,000.

Under the present law, and no change is contemplated, it would still have the right to issue the full amount of its capital in bond secured bank note circulation, in which event, it could not issue any bank credit notes, as under no condition can any bank at any time issue bond secured circulation or bank credit notes in excess of its capital.

Section 4.—Reserve.

Inasmuch as the credit bank note is after all no more than a demand certificate of deposit, or an outstanding cashier's cheque liable to be presented for redemption at any moment, it is but proper that a legal reserve, such as is required of all national banks, whether in central reserve cities, reserve cities or country banks, should be carried against such credit bank notes as a matter of precaution.

Section 5.—Guaranty Fund.

The report of the twenty-ninth Congress of the Committee on Banking and Currency, made on June 27 1906, forcefully and emphatically proves that the credit bank credit note currency is sound beyond question.

Here is the statement of the Committee, whose report contains the detailed statistics bearing out the facts stated:—

"A single conclusion is left as a result of this searching "and exhaustive examination of present conditions, and

"running back for more than 200 years, and that is, we "need and must and will have, sooner or later, credit cur-"rency protected by a proper reserve and redeemable on "demand in gold coin.

"That the proposed currency is safe beyond any per-"adventure, your Committee feel confident; since, taking "the entire history of the national banking system down "to 1901, the average tax upon the outstanding note issue, "after eliminating all the Government bonds deposited to "secure circulation, from our calculations, would have "been eight one-thousandths of 1 per cent. per annum to "guarantee the payment of the notes.

"Again, if the entire note issue of all the banks failing "during that same period had been paid out of the guaranty "fund, it would have taken only twenty-two one-hundredths "of 1 per cent., or about one-fifth of 1 per cent per annum "upon the outstanding notes. In other words, 11 per cent. "would last over fifty years, 2 per cent., one year's tax, "would last ten years."

The underlying principle of this section lays the foundation for the most complete monetary system in the world.

The net proceeds of such tax should be annually used to purchase gold, and such gold coined, and the coin deposited in the Treasury of the United States, and a like amount of gold certificates issued as a circulating medium, in place of the gold coin, and such gold certificates deposited in the national banks of the country, upon which interest at the rate of 2 per cent. per annum be paid the Government by the banks. According to the experience of the past forty-three years, or since the organisation of the national banking system, the interest upon the tax alone (when compounded) would be more than ample to retire and pay off entirely the notes of all the failed national banks. Not alone that, but in less than fifty years every dollar of notes issued would be secured by an actual deposit of gold with the Treasury Department, to protect every bank credit note issued. The larger the issue of credit bank notes, the greater the accumulation of the guarantee fund.

Let us assume the issue of credit bank notes will amount to $300,000,000 per year. This would create a tax of $7,500,000 per year, or $375,000,000 in fifty years, with every dollar of the bank credit notes secured by a deposit of gold coin or gold certificates, leaving a margin of one-fifth or $75,000,000 to pay the expense of issuing and redeeming the credit notes.

The 2 per cent. interest on the deposit of $7,500,000 per year would produce an annual revenue of $150,000, or a total sum of $7,500,000 in simple interest in fifty years, while the total outstanding notes of all failed national banks, at the time of failure, from 1863 to 1896 amounted to the sum of $20,723,000, of which sum 70½ per cent. would have been paid from the assets of such failed banks without any bond security, or a total of $14,609,715.

The remainder, if made good out of the guarantee fund, would have been $6,113,285.

Is the plan safe and sane? Yes, undoubtedly. The total capitalisation of national banks is now over $825,000,000; surplus and undivided profits, $660,000,000. The gross deposits of these banks are $5,854,901,578.48. Will anyone here question for a moment the absolute safety of these same banks, taking on demand deposits to the extent of $200,000,000 or $300,000,000 more?

That is all these principles contemplate; they advocate the issue of bank credit notes which are merely demand certificates of deposit, or cashier's cheques of the issuing bank, which the bank must redeem in lawful money when presented.

Section 6.—Redemption.

Provision is made for sufficient reserve cities, conveniently located in various parts of the country, to facilitate active daily redemption of credit notes, and to make it the least expense for the bank redeeming the credit notes to go to the point of redemption and receive therefor legal currency.

Bank credit notes are used in Scotland and Canada.

The note of the Scotland banking system remains out eighteen days; the note of the Canada banking system remains out thirty days; while the note of our national banking system remains out 730 days.

Thus, you will observe the present national bank note remains out more than two years, "the time it is estimated "the paper itself lasts, and it is frequently redeemed from "necessity of renewal."

Grave fear has been expressed that the tax of 2½ per cent. interest per annum on 25 per cent. of the credit bank notes permitted to be issued will create an inflation, and without much consideration many believe that the rate of interest should be very much higher. Let us analyse that as a proposition. Let us suppose there are five national banks with a capital of $100,000 each, having issued $25,000 credit bank notes, the issuing of same costing 3⅝ per cent. interest (when reserve and expense are included), or a total of $125,000 credit notes, and that there are five other national banks with a like capital who have failed to issue any credit bank notes. The latter banks, receiving no profit on the credit bank notes, would naturally, when they received credit bank notes of the first five banks, immediately present them for redemption to the issuing banks, and the issuing banks would immediately have to redeem them in lawful currency through their redemption agent, the same as they now redeem ordinary cheques, cashier's cheques, or demand certificates of deposit, drawn upon them.

Thus, the banks not having issued the credit currency

notes would be constantly forcing the redemption of the credit bank notes issued.

Fear has been expressed that a bank issuing credit bank notes to the extent of 25 per cent. of its capital might be immediately called upon to take up the amount issued. That is true, literally true. But while they would be called upon to redeem their own credit bank notes, it is equally true that they would be receiving over their counters the credit bank notes of other banks, which would, in a measure, replenish their reserve by demanding from the other banks a redemption of their credit bank notes.

It might as well be assumed that all who had demanded deposits in any institution would at one time present cheques for the amount of their balances through the redemption agent (clearing house of the city in which it is located), and that it would have no cheques whatever to counterbalance such withdrawals.

The trust companies, state banks, and savings banks, having no power to issue bank credit notes, cannot participate in the profits of such issue, and would force a rapid, active, and daily redemption.

And when it is understood that the aggregate deposits of trust companies, state banks, and savings banks exceed the deposits of the national banks, the strength of this statement will be fully realised.

Section 7.

This section suggests the repeal of the existing law limiting the retirement of bond secured notes to $3,000,000 per month, as it is manifest that to have an elastic or flexible currency no limit should be provided. This law was enacted when the outstanding debt of the Government aggregated over $2,500,000,000, and fear was entertained, unless a limit was placed upon retirement, the selling price of Government bonds might be impaired. That theory of danger has long since ceased to exist. Hence the law should be repealed.

Section 8.

The provision of this section is simply the application of the most ordinary business principles to the Government business that are daily applied to all business and financial institutions throughout the country. Primarily, it prevents the locking up of millions of actual currency in the vaults of the treasury, and thereby aids in the expansion of the currency system.

What would be the opinion of the merchant in this day and age who, having sold his merchandise, collected his rents or incomes in money, locked it up in a safe deposit box to lie there dead and useless until he had to pay it out over his counter?

Yet that is practically what the Government has been doing with more than $150,000,000 for years.

It has been clearly shown by the report made to Congress by the Committee on Banking and Currency that if the Government had deposited its surplus funds in national banks from January 1 1879 to June 30 1904, and received 2 per cent. on its daily balances (exclusive of a working balance of $50,000,000, and also exclusive of the $150,000,000 gold reserve against the United States) the interest so received would have amounted to $50,860,816.

Suppose the interest on the daily balances be put aside into a special fund (it is a new source of revenue and one from which the country has never had a penny), first, to protect the Government from loss by failure of any national bank, and, secondly, to invest such fund in gold coin, deposit the gold coin against gold certificates, and whenever the sum aggregates one million dollars, purchase United States Treasury notes, and thus gradually retire that debt of the Government created by the civil war.

It is estimated, if this rule was applied, the present $196,000,000 uncovered United States notes would all be retired and gold substituted in their place within a period of sixty years.

Personal.

MESSRS. ANNAN, KIRKBY, DEXTER & CO., Chartered Accountants, of 21 Ironmonger Lane, E.C., announce that, Mr. H. WOODBURN KIRBY having retired from the firm as from the 31st December 1906, the business will in future be carried on under the style of ANNAN, DEXTER & CO.

MESSRS. CARTER & CO., Chartered Accountants, of 33 Waterloo Street, Birmingham, announce that Mr. ERNEST WINN retires from the firm as from 31st December 1906, and the partnership will be continued at the same address as heretofore by the remaining partners. Mr. WINN will continue to practise on his own account at 40 Bennett's Hill, Birmingham.

MESSRS. FULLER, WISE & FISHER, Chartered Accountants, Bassishaw House, Basinghall Street, London, E.C., announce that they have been joined in partnership by Mr. H. WOODBURN KIRBY, and that their business will be carried on under the style of FULLER, WISE, KIRBY & FISHER at the above address.

MR. P. BOYLE GILROY, Chartered Accountant, for many years managing clerk to Messrs. HUDSON SMITH, BRIGGS & CO., announces that he has taken offices at 20 Abchurch Lane, Cannon Street, E.C., and that from the 1st of January 1907 he will practise at that address under the title of P. BOYLE GILROY & CO.

MESSRS. HUGH LIMEBEER, F.C.A., and JAMES A. TINLING, F.C.A., of 65 London Wall, London, E.C., announce that the partnership hitherto existing between them, under the style of LIMEBEER & TINLING, has expired by effluxion of time. Mr. LIMEBEER will continue to practise at 65 London Wall, E.C., and at 11 Rue Godot de Mauroy, Paris. Mr. TINLING will continue to practise at

69 Terminus Road, Eastbourne, and at 36 Sackville Street, W., and will open offices at 16 Finsbury Circus, E.C., under the style of TINLINGS, Chartered Accountants.

MR. C. A. MOULTON, F.S.A.A., of Regent Street, Barnsley, has been appointed a Justice of the Peace for the West Riding of York.

MR. CLAUDE SHOOLBRED, F.C.A., has removed his offices from 34 King Street, Cheapside, E.C., to 8 Laurence Pountney Hill, Cannon Street, E.C.

MESSRS. STAGG & FARRANT, of 6 Booth Street, Manchester, announce that they have dissolved partnership by mutual consent as from the 31st December. The business will in future be carried on at the same address by Mr. P. C. C. FARRANT, in partnership with Mr. J. H. S. MATTHEWS, of Blackburn, under the style of FARRANT, MATTHEWS & Co.

MESSRS. J. & A. W. SULLY & Co., Chartered Accountants, of 19 and 21 Queen Victoria Street, London, E.C., announce that they have admitted as a partner Mr. EDMUND FRANCIS NORMAN, A.C.A., who has been associated with them for many years. The style of the firm will remain unaltered.

MR. G. H. TURNER and Mr. J. H. S. MATTHEWS, practising as MATTHEWS & Co., 2 Sudell Cross, Blackburn, announce that they have dissolved partnership by mutual consent as from the 31st December. The business will be carried on in future at the same address by Mr. J. H. S. MATTHEWS in partnership with Mr. P. C. C. FARRANT, of Manchester, under the style of FARRANT, MATTHEWS & Co.

The new Secretary to the Board of Trade (Mr. HUBERT LLEWELLYN SMITH, C.B.) is a brother of Mr. CLARE SMITH, of Bristol.

Meetings for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Examination Committee, at 2 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Depreciation, with special reference to the Accounts of Local Authorities," by Mr. Lawrence R. Dicksee, M.Com., F.C.A., at the Hall of the Incorporated Law Society, Bowl-alley Lane; 7.45 p.m.

Wednesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Finance Committee, at 12.30 p.m.; Council Meeting, at 2 p.m.

Thursday—LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION. — Joint Debate with the Northern Students' Society, at the Law Institution, Albion Place; 6.30 p.m.

GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY. Lecture, "Further Reforms in Company Law," by Mr. M. P. Macmillan, Advocate.

Bank Rate of Discount.

Oct. 19th 1906 .. .. 6%

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Dec. 28th, was 100, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 50; Deeds of Arrangement registered, 50. The respective numbers in the corresponding week of 1905 were: Bankruptcies, 28; Deeds of Arrangement, 45—total, 73; being an increase of 27. The total number of commercial failures recorded during the 52 weeks of 1906 was 8,329; the total number recorded in the corresponding 52 weeks of 1905 was 8,943, showing a decrease of 614.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Dec. 28th, was 118. The number in the corresponding week of 1905 was 111, showing an increase of 7. The total number filed during the 52 weeks of 1906 was 7,678; the total number filed in the corresponding 52 weeks of 1905 was 8,441, showing a decrease of 763.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Dec. 28th, amounted to £1,319,179, by way of addition to £1,137,198, previously issued by the same companies. The amount registered in the corresponding week of 1905 was £1,143,168, showing an increase of £176,011. The total amount registered during the 52 weeks of 1906 was £78,594,598 (in addition to the issues in previous years by the same companies), as compared with £77,795,353 for the corresponding 52 weeks in 1905, showing an increase of £799,245.

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1675.] SATURDAY, JANUARY 12, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
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Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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Leading Articles.

The Chartered Accountant Students Society of London.

THE seventh annual dinner of the Chartered Accountant Students Society of London took place on the 6th ult. at the Hotel Cecil, Mr. ERNEST COOPER, F.C.A., occupying the chair in the unavoidable absence of the

President, Mr. EDWIN WATERHOUSE, M.A., F.C.A. From the very full account which appeared in our issue of the 15th ult. those of our readers who were unable to be present will observe that there was a very satisfactory attendance, including several distinguished guests, and that the proceedings appear to have been most successful in every way.

Sir THOMAS SKEWES-COX proposed "The Institute of Chartered Accountants" in a very appreciative speech, and the toast was acknowledged by Mr. W. B. PEAT, F.C.A., the President of the Institute, who in the course of his remarks referred to the fact that the Institute was represented in every civilised country, and added that whatever might be their views upon fiscal policy, he had no doubt that all present would agree with him that "this Institute should "export its members to wherever the trade of "this great kingdom was carried." Our contemporary the *Accountants' Magazine*, commenting upon this, remarks that either Mr. PEAT's views have undergone a welcome change since his speech at Liverpool (reported in these columns on the 25th November 1905), or he is not willing that the principles he applies to his own Institute should be applicable to others. Mr. PEAT is, no doubt, quite capable of explaining any apparent discrepancy between his two speeches should he think it desirable to do so. We may point out, however, that there is a broad distinction between the exportation of English Chartered Accountants to business centres throughout the world for the purpose of safeguarding the interests of English capitalists who invest their money abroad, and the exportation from Scotland of Scottish Chartered Accountants because, owing to the absence of any limit on the number of articled pupils a member may take, the annual output of Scottish Chartered Accountants greatly exceeds the demand therefor. If these men were in all respects qualified to discharge the duties of a Chartered Accountant in England, or wherever they may go, the objection would be a purely selfish one; but, however much our contemporary may seek to obscure the issue, the fact remains that the passing of the examinations prescribed by the Scottish Chartered Accountants' General Examining Board does not afford any satisfactory test of the ability of the successful candidate to undertake the duties that devolve upon a Chartered Accountant in this country, and for that matter the same objection applies to many of the Colonies and dependencies of the Crown, which frame their legal system upon English rather than Scottish systems.

Referring to Mr. PEAT's remarks, while gladly welcoming his views on the subject of what we may call the policy of colonial expansion, we may perhaps be permitted to repeat what we have drawn attention to more than once, that while colonial members of the Institute are not allowed to take articled pupils who are eligible for the Institute's examinations, it can only be a question of time before the predominance of the Institute abroad is eclipsed by some other association which affords greater facilities in return for membership. Mr. PEAT's concluding words contain a further reference to the desirability of some movement in favour of legislation in conjunction with the Society of Accountants and Auditors, and others. These suggestions were not received with unanimous approval; but an occasion such as this is, of course, anything but an ideal one for arriving at a serious expression of opinion—and in the long run we feel sure that a more statesmanlike policy will prevail over that of a narrow

exclusiveness which, in practice, fails to exclude.

Sir EDGAR SPEYER, Bart., proposed success to the Students' Society in a speech of more than usual interest, in which he pointed out that while the accountant students should strain every nerve to master the art of accountancy, to learn the machinery of their trade, that was not everything, inasmuch as they must remember what the higher conception of their profession demanded of them—namely, to champion truth. In his reply, Mr. F. G. BOWERS, the Chairman of Committee, drew attention to the remarkable progress that had been made by the London Students' Society since its foundation, and appealed to practitioners to enlarge the list of honorary members, with a view to enabling the lending library to be amplified and completed. That the London Students' Society deserves to be more widely supported by London practitioners, and especially by those who in their student days received so much assistance from its organisation, is undeniable, but if the proposition be regarded as Mr. BOWERS presented it—in the light of a *quid pro quo*, the annual subscription to be weighed against the advantages of the lending library—we are not at all sure that it is being put forward in the strongest possible way. Practitioners who desire to keep abreast of the times must each have their own reference library, comprising at all events those volumes most likely to be referred to in the ordinary course of business. They cannot—or at all events in the great majority of cases cannot—expect that their personal library will be anything approaching complete; but its deficiencies are, we think, more likely to be supplied by reference to the Institute's own unequalled collection of books on accountancy subjects, rather than to any that a Students' Society is likely to be able to accumulate, even with a greatly enlarged subscription list. Moreover, for such special books the advantage of a lending library, as compared with a reference library, does not strike us as being particularly obvious.

In the course of a humorous speech proposing the health of the Chairman, Mr. W. H. FOX, F.C.A., gave vent to some remarks which, it may interest him to learn, have given great offence to our staid contemporary across the border, which is apparently under the impression that Mr. FOX and ourselves are banded together in a conspiracy of absurd hostility to Scottish Chartered Accountants in England. There is, of course, a transparent inconsistency in the desire expressed by Mr. FOX that there should be an import duty put upon Scottish Chartered Accountants, but, after all, which of us is not inconsistent. It may, moreover, be pointed out that in this respect, as in so many others, England enjoys only the semblance of free trade. The English Institute allows its members to migrate and still to retain their membership while practising outside of England and Wales, but they lose all the privileges of membership with the single exception of the right to continue to describe themselves as members. A Scottish Chartered Accountant, on the other hand, is free to come here, or elsewhere; to describe himself as a Chartered Accountant without having to point out that he is not a member of the English Institute, and that his knowledge of English accounts, law, and practice, has never been tested; is allowed to take as many articled pupils as he pleases, who by service with him may qualify for the examinations of the Scottish General Examining Board; he is further, even during

his residence outside Scotland, eligible to be admitted a member of the Council of one or another of the Scottish Chartered bodies. That is to say, although the Charters of these bodies are limited to the confines of a single city in each case, in practice Scottish Chartered Accountants assume for all purposes a world-wide dominion, whereas English Chartered Accountants who desire to practise outside of England or Wales enjoy no such advantages. If it be frankly and transparently inconsistent to object to this state of affairs, we must confess that, for ourselves at least, we prefer to remain inconsistent, and we do not for one moment suppose that Mr. FOX is the only member of the English Institute who shares these views with us.

The Chairman, Mr. ERNEST COOPER, F.C.A., in responding, traced shortly the history of accountancy in London from the year 1776, which appeared to be the earliest available record. Looking back over the forty years or more during which he had been in the profession, he said that he could not recall a single instance in which an accountant had been accused of giving a corrupt certificate, and to this he attributed the remarkable reputation that such certificates enjoy in this country. In view, however, of Mr. COOPER's well-known reputation for exactness, we may perhaps be allowed to call his attention to the fact that on one or two previous occasions accountants have been convicted and sentenced to imprisonment on charges of being concerned in the issue of false Balance Sheets, knowing them to be false. Of course, these exceptional cases are not sufficient to materially affect Mr. COOPER's argument as to the deservedly high reputation enjoyed in this country by accountants' certificates.

In conclusion, we must congratulate the Sub-Committee responsible for the very excellent arrangements that were made for every part of the evening's entertainment. Although the London Students' Society held its first annual dinner somewhat late in life, these functions have now definitely taken their place as an annual fixture, and up to the present each has proved in some way or another an advance upon its predecessors. So long as the Society itself continues to advance, there is every reason to hope that this steady improvement may continue to mark the annual dinner.

The Liabilities of Receivers.

THE recent decision of Mr. Justice CHANNELL in *Forster v. Nixon's Navigation Company, Lim.* (*Accountant* Law Reports, XXXV., p. 87), is deserving of more careful attention than considerations of space have hitherto enabled us to devote to it. The facts of the case are very clearly set out in our report, and it is not our intention to comment upon them in detail, but rather to deal in general terms with the principles laid down as to the position occupied by a receiver and manager, carrying on a business in obedience to an order of the Court, towards the various persons and firms having business relationships therewith.

It has already been decided, and it is unnecessary to go over the old ground again, that a receiver and manager appointed by the Court is personally liable to pay for goods ordered by him for the purpose of carrying on the business of the defendant company; and that thus, in the event of the estate not realising sufficient assets to meet these various

claims for goods supplied and services rendered to the receiver, he may find himself in a very serious position. But a further question was raised in the case now before us, as to whether the receiver and manager was personally liable for the due performance of contracts pending at the date of his appointment, and, therefore, liable in damages for the non-fulfilment of such contracts. Mr. Justice CHANNELL has decided that in such a case the receiver and manager acts either as the agent or else as the assignee of the rights of the defendant company. In precisely which character is not apparently quite clear, but presumably as assignee. In either event it follows that no new contract is entered into on the appointment of the receiver and manager. It is the contract then pending between the defendant company and its customer that is continued by the receiver. If the receiver's position be that of an agent, he is clearly in no better position to recover from the customer under the contract than the defendant company itself would have been; and consequently any counter-claim for damages or breach of contract that would be enforceable against the defendant company is still enforceable to the extent of being an effective set-off against any claim that the receiver may have for goods supplied or services rendered. If, on the other hand, the position of the receiver is that of assignee of the rights of the defendant company, it is well settled that he can only recover subject to the rights of the other party to set off any claim he may have against his assignor arising out of the same matter.

It thus follows that unless the receiver and manager has done something which amounts at law to entering into a new contract with the customer he is under no personal liability because he may, after continuing deliveries for a time, find himself unable to complete the original contract; but, *per contra*, he is not in a position to recover a larger sum from the customer than the defendant company would itself have been able to recover, had there been no receivership.

This is very satisfactory to the profession so far as it goes, in that it clearly shows that a receiver and manager does not upon his appointment *ipso facto* become personally liable for the carrying out of all contracts then pending merely because he continues work upon those contracts for the time being—a course of procedure which is practically essential in all cases, in that some time at least would elapse before full inquiries could be made. If work on pending contracts were to be stopped pending such inquiry, the business of the defendant company could not be continuing. At the same time, it should be borne in mind that by his acts it is quite possible for the receiver to enter into what is virtually a new contract, upon which he would be personally liable; and, in the ordinary course of events, a receiver is just as liable for the due performance of contracts that he himself enters into as he is for the due payment for goods which he himself has ordered. An accountant appointed receiver and manager to a manufacturing business should thus be careful to see that no orders are accepted by him or on his behalf which he is not certain of being able to duly perform, as, in the event of the business being discontinued before such orders have been executed, claims for damages may quite conceivably arise. So long as this liability is duly appreciated there is, it seems to us, nothing unreasonable in the fact of its existence; but obviously the position of

receiver and manager would be intolerable if, immediately upon his appointment, he were called upon to either abandon or personally adopt all then existing contracts. Were that the law, the only safe course would be to give immediate notice of abandonment in all cases, lest perchance it should be found impossible to complete certain pending contracts, or, at all events, impossible to complete them at a profit. It would be practically impossible to find responsible persons willing to undertake the duties of receiver and manager under that state of affairs. But although it could, perhaps, never have been seriously supposed that the law stood thus, the decision in *Forster v. Nixon's Navigation Company, Lim.*, will be welcomed by many of our readers, for we happen to know that this threat of a personal action against the receiver and manager has been not infrequently employed as a means of obtaining a more satisfactory settlement of outstanding accounts. In some cases actions have been actually commenced against receivers and managers in their personal capacity by impecunious plaintiffs, which of necessity have caused the defendant receiver pecuniary loss as well as unnecessary trouble and annoyance. An express decision with regard to the point at issue will thus be very welcome.

Accountants' Certificates and Estimates.

IN the prospectus of the Liverpool and District Motor Company, Lim., which has been forwarded to us for comment, appears the ·ing auditors' statement :—

AUDITORS' STATEMENT.

We have carefully considered the estimated receipts and expenditure in connection with the running of eight motor 'buses and cabs, and hereby certify that :—

Assuming, as stated in the engineer's report, eight motor 'buses could run 90 miles per day for 312 days per annum, and earn 1s. per 'bus mile, the total earnings for the year would amount to		£11,232 0 0
Assuming eight motor cabs could likewise run for 40 miles per day for 312 days per annum, and can earn 8d. per cab mile, the total earnings for the year would amount to		3,328 0 0
The promoter anticipates receiving an income from repairs and rent of garage, and this he estimates at		1,500 0 0
Making a total income of.. ..		£16,060 0 0
Assuming that the expenses of running the 'buses, including all fixed charges, &c., to be 9·6d. per 'bus mile, the cost of running per annum would amount to	£8,986 0 0	
Assuming that the expenses attending the running of the cabs amounted to 6d. per cab mile, the total expenditure for the year would amount to ..	2,496 0 0	
The promoter estimates the expenditure in connection with repairing and housing private motor cars to be ..	1,000 0 0	
Making a total expenditure of		£12,482 0 0
Thus leaving a gross profit of		3,578 0 0
If the motor 'buses and cabs lasted for ten years, it would require a depreciation to be deducted of 10 per cent. on the cost, amounting to ..	£1,000 0 0	
Add Directors' Fees and contingencies, say	578 0 0	
Total		1,578 0 0
Leaving a net balance of		£2,000 0 0

Which would equal slightly over 13 per cent. upon the capital of the Company.

We have frequently drawn attention in these columns to the undesirability of such

statements as the above appearing in a company prospectus over the signature of a firm of Chartered Accountants. Whether they be called "statement" or "certificate," the impression that they are certainly likely to give to some applicants for shares is that, as a result of some investigation of accounts, the accountants are in a position to assure would-be shareholders that the future profits of the company may be relied upon not to be less than a stated sum. The term "statement" is used in connection with the estimate quoted above, but this does not, in our opinion, materially improve matters. Condensed in the way that many applicants for shares would, in all probability, condense it, this "statement" reads to the following effect :—

The auditors state that there is a total income of £16,060 and a total expenditure of £12,482, leaving a gross profit of £3,578, which, after due provision for depreciation, directors' fees, and contingencies, leaves the net balance of £2,000, a sum more than sufficient to pay dividends of 13 per cent. on the capital of the company.

We venture to think that the auditors would hesitate very much before deliberately accepting responsibility for this condensed statement, but we have no hesitation in saying that their statement is very liable to be so construed, and affords another instance of the impropriety of statements being based, not upon an investigation of accounts, but upon engineers' estimates of future possibilities.

Weekly Notes.

New Issues in 1906. The following table, which we extract from a financial contemporary, shows in a very clear and interesting manner the new issues of 1906 as contrasted with those of the previous year :—

Description	1906		1905	
	No. of New Issues	Share and Deb. Capital or amount of Loan	No. of New Issues	Share and Deb. Capital or amount of Loan
		£		£
Public Loans	25	43,000,000	47	83,452,000
Financial	11	7,257,500	9	1,730,000
Commercial and Miscellaneous	94	21,437,000	64	17,392,500
New issues by existing companies	215	46,546,500	207	63,549,500
Mining	65	11,220,500	69	5,811,000
Total	410	129,461,500	396	171,935,000

The reduction in the amount of public loans is a very welcome sign, as indicating, in a measure, local ability to bear domestic burdens.

Bank Clearings in 1906. The extent to which negotiable instruments, especially cheques, are in use in this country at the present time, is well illustrated by the following figures, which have been supplied by the Secretary of the London Clearing Bankers :—

	1906	1905		
Grand total.. ..	£12,711,334,000 ..	£12,287,935,000 ..	Inc.	£423,399,000
Town clearing total	11,719,021,000 ..	11,355,250,000 ..	Inc.	363,771,000
Country cheque clearing total ..	992,313,000 ..	932,685,000 ..	Inc.	59,628,000
Fourths of months	524,816,000 ..	497,070,000 ..	Inc.	27,746,000
Cons. settling days	644,534 000 ..	638,783,000 ..	Inc.	5,751,000
Stock Exchange account days ..	2,031,582,000 ..	2,070,622,000 ..	Dec.	39,040,000

While the increase of 1906 over 1905 is very much less than that year over 1904, it must be noted with satisfaction that for six successive years the totals in each period have exceeded all previous figures.

Company Law in the Isle of Man. It is reported that a Bill has been introduced into the House of Keys which has for its object the bringing of Manx company law into line with the English Acts. The projected measure fills ninety pages, and is said to be the most ambitious effort of recent years in the Manx Parliament. As there has been no legislation in the island since 1902 there would seem to be plenty of material on which to work.

The Law Society and Solicitors' Accounts. The legal journals are full to overflowing with correspondence respecting the recent agitation in favour of some precautions being taken to protect the public against defaulting solicitors, and the variety of opinions expressed is nothing short of astonishing. We have already commented upon the suggestions put forward by the requisitionists, and we have nothing further to add to our previous remarks save to point out that

many of our contemporaries' correspondents who object to any hint of dual bank accounts and periodical audits do not improve their case by merely saying that neither of these precautions prevents dishonesty Nobody ever said that they did; but it is well recognised, among those most competent to judge, that the first step towards dishonesty is often made through sheer ignorance, and the separation of clients' and private moneys, together with a periodical audit, is intended to remove this *excuse*. "A member of the Society of Accountants and Auditors" says (*Law Times*) that during twenty-five years' practice as a "professional law accountant and auditor" he has never met with—

"(1) a case of professional misappropriation; or
(2) a case in which I failed to detect some inadvertent error operating to the practitioner's disadvantage;
(3) a case in which the solicitor has not told me that he recognised the general advantage of a periodical independent audit."

To all of which we can only say, breathlessly, really! He must have been asleep.

Liquidations in 1906. *The Financial Times* has compiled a list of the principal company liquidations during 1906, and the comparison between the figures for that period and the previous year shows that there has been no appreciable diminution in the "deaths" of joint-stock enterprises.

	1905	1906
Compulsory winding-up	86	115
Voluntary winding-up	1,446	1,425
Reconstructions	102	91
	1,634	1,631

Bailiffs' Charges. The case of *Lyon v. Jones*, which came before his Honour Judge Moss in the Chester County Court on the 13th ult., raised a question of some interest under the Law of Distress Amendment Act, 1888. It appears that in this case the plaintiff, a certificated bailiff, had levied certain distraints for the defendant, at a place some distance from Chester, and he now claimed a preliminary fee of 10s. 6d. for the journey to the place where the levy had to be made. On behalf of the defendant it was argued that the prescribed fee for levy covered all expenses, and that in case of any difference on the question of fees, the proper course was to have the Bill taxed by the Registrar of the district in which the distress was levied. His Honour decided, however, that these rules only applied as between landlord and tenant, and not as between landlord and landlord's agent. The preliminary fee was accordingly allowed, and judgment entered for the plaintiff for £2 15s.

Presentation to the Librarian of the Institute. We understand that a fund is being raised privately for the purposes of a wedding present to Mr. T. A. Onions, who has for the past six years been Librarian to the Institute, on the occasion of his wedding, which is to take place on Saturday, the 19th inst. The abliity which Mr. Onions has shown in his position since his appointment, and his invariable courtesy, have gained him many friends, and we are sure that many will seize the opportunity of showing their appreciation

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Directors and Proxies. The recent decision of the Court of Appeal in *Peel v. London and North Western Railway Company* may be, and apparently is, satisfactory to lawyers; but we very much question whether it will strengthen the respect held by practical business men for the decisions of that Court. It has now been held by Lords Justices Vaughan Williams, Moulton, and Buckley, that it is quite proper for the directors of a company to issue stamped proxies to all shareholders in view of a general meeting about to be held, and to insert the names of directors in those proxies. We can follow the reasoning of the Court to the extent of assenting to the desirability of stamped proxies being forwarded to all shareholders, so that the meeting may be as representative as possible: but the practical business man is well aware that a very large number of persons are quite willing to sign and return *any* printed form which may be presented to them that involves no pecuniary liability. If they had to fill in the names of the persons they appointed to represent them, they would at least have to give some consideration to the selection of their representatives; but if they are saved this trouble by the names of directors being printed in the body of the form, its return in a very large number of cases may be regarded as assured. That is to say, the Court of Appeal has sanctioned a procedure, the practical effect of which is to greatly strengthen the hands of the existing board, quite independently of the merits of any dispute that there may be between them and bodies of outside shareholders.

Workmen's Compensation and Accident Insurance Companies. We understand that a Bill will shortly be introduced with the object of making Section 3 of the Life Insurance Companies Act, 1870, applicable to companies carrying on the business of insuring employers against liability to pay compensation or damages to workmen in their employment. This clause, it will be remembered, requires companies to deposit a sum of twenty thousand pounds until such time as they can show accumulated funds amounting to forty thousand pounds. In view of the important nature of the business now transacted by accident insurance companies, it seems especially desirable that the public should be protected against the formation of mushroom concerns that will be quite unable to meet their obligations should they prove unlucky in their early ventures. At the same time advantage might be taken of this opportunity to adopt, or adapt, certain other provisions of the Life Insurance Companies Acts as being equally suitable for accident companies.

Banking Profits. It will be interesting to see to what extent the extremely favourable conditions of the money market to bankers during 1906 are allowed to affect their disclosed profits. The average Bank Rate for 1906 has been £4 5s. 4d. per cent., against £3 0s. 2d. per cent. in 1905, which should admit of an increase of some 20 per cent. in profits, assuming the volume of business to remain constant. We venture to think that in the majority of cases this increase will be utilised to increase hidden reserves, which must, to some extent, have suffered through depreciation of investments during the past year. It may be applied also in the direction of increasing the gold reserve, which in many cases can be regarded as by no means excessive.

The Recent Examinations. The question referred to by our correspondent "Perplexed" last week, is by no means the only one set at the recent examinations of the Institute that might well bother candidates; indeed it is, we think, a perfectly legitimate question as it stands, which is a good deal more than can be said for some of the others, particularly of those set at the Final Examination. When a candidate is asked to make a provision of 5 per cent. or any other percentage on the outstanding debtor balances for bad and doubtful debts, we think that what is required is that he should raise a reserve for bad and doubtful debts to an amount equal to the stated percentage on the debit balances on customers' accounts, subject to deduction of reserve for discounts (if any). If there already exists a reserve for bad and doubtful debts, it is only necessary to increase that reserve to the required amount. Of course, scarcely anyone would provide for bad and doubtful debts in that way, and the question is liable to create the false impression that an inadequate method of providing for a very customary loss is the usual and accepted method.

Wine and Spirit Merchants' Stocks. With further reference to the query asked in our last issue by a correspondent signing himself "Stock," we may mention that Volume XXXII. of "The Accountants' Library" series contains much interesting information with regard to the valuation and checking of the stock of wine and spirit merchants, whether broken or in bulk. This volume should be in the hands of all interested in the liquor trade.

Reduction of Capital. We think the suggestion put forward by Mr. G. W. Smith in our Correspondence column last week is a good one, and we shall accordingly take an early opportunity of considering the various questions of account involved on the reduction of the capital of a company under varying circumstances. The precise form of reduction referred to by our correspondent is, doubtless, that provided for under Section 3 of the Companies Act, 1880. This may be regarded in the light of a legislative joke, inasmuch as the provisions are a manifest absurdity, which if carried into effect would produce results far different from those apparently contemplated.

"The Indictment of a Trust." *Commercial Intelligence* publishes the following interesting summary of the indictment recently made against the American Ice Trust in the name of the people of the State of New York in the Supreme Court. It is said to be a typical instance of the numerous similar actions which have been brought in various parts of the United States since the anti-Trust campaign commenced:—

> "That when the Trust was advertising a shortage of ice, it was refusing supplies from independent producers.
>
> That it contracted with other companies to prevent their entering the field of competition.

That of total assets of 46,325,488 dols., 33,260,606 dols. represent no tangible asset.

That on December 1 1906 it paid a nine per cent. dividend.

That the Trust in July 1906 sold ice at an average price of 4·78 dols. per ton that cost only 1·94 dols. per ton, and earned 71 per cent.

That it has a monopoly of the natural and artificial ice output, especially in Greater New York.

That it secured control of the Maine ice fields, and cut the harvest last year from 1,500,000 to 500,000 tons.

That it similarly controls the other sources of supply.

That by means of its control of the landing places in this city it increased the price per ton at the wharves from 1·20 dols to 5 dols. and 6 dols.

That by these means the price of ice to the poor was from 10 dols. to 14 dols. a ton.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Registration for the Profession.

(*To the Editor of The Accountant.*)

SIR,—In addition to the well advanced arguments in favour of registration as a means of deterring persons of somewhat doubtful repute, and qualifications which are conspicuous by their absence, from their present privilege (when every other profession is closed to them) of describing themselves as "accountants," in the hope of inducing business of any description in their direction, may I advance another reason which I have not yet seen used. That is, the fact that all clerks employed in the accountants' departments of our great companies are at liberty to, and do, describe themselves as accountants, and I may instance as a case in point one of the leading railway companies, where, in a department employing some hundreds of clerks, all arrogate to themselves the term "accountant." This alone is a sufficient reason for the profession to combine in securing a legal status in the same manner that the dentists secured their protection, from the hands of Parliament, and the longer it is delayed the greater will be the multiplication of unqualified practitioners whose entrance is unhampered by any of the restrictions which obtain in other professions.

Any scheme of registration should, I think, provide in the first instance for such persons as have qualified by examination, or are actually and have for a stated period been in practice as public accountants or who hold the position of accountant to a company, and future admissions would, no doubt, be regulated by a system of examinations controlled by a joint Board of the Institute and Societies.

Yours faithfully,

2nd January 1907. PRO-REGISTRATION.

Income Tax on Bank Interest.

(*To the Editor of The Accountant.*)

SIR,—I have read the letter of "Burgh" in your issue of 5th inst. It would appear to me that the question of the arrears must be determined by the fact whether or no your correspondent gave regular notice of appeal year by year. If he did not do so, I fear he would be unable to reclaim, although it might very reasonably be hoped that the Board of Inland Revenue, in view of the circumstances, would have decided otherwise.

Yours faithfully,

F. LODGE ROSSER.

5th January 1907.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent "Burgh," if the bank is one within the United Kingdom, and the overdraft is a fluctuating amount, the bank will have charged the interest in full and returned it for income-tax purposes in their own return, and the company was quite justified in its protest, that the amount should be allowed as a charge against its profits. The only means of recovering the tax paid for past years would be to send in a detailed claim to Somerset House showing the amounts of interest and the tax overpaid, accompanied by a certificate from the bank that these items of interest have been accounted for in the bank's return for income-tax purposes. It is possible that the Inland Revenue authorities might allow the amounts overpaid during the whole period, but it is more probable that

they would refuse to go back more than three years, in which case I am afraid your correspondent would have no remedy beyond that period.

Yours faithfully,

TAX.

Life Tenant and Remainderman.

(To the Editor of The Accountant.)

SIR,—A. dies leaving the income of his estate to his wife for life with reversion to children in equal shares.

The executors pay a sum of £25 in redemption of a tithe rent on one of the properties. How should this sum be dealt with as between capital and income?

Yours faithfully,

2nd January 1907. ARTICLED CLERK.

Examination Gems.

(To the Editor of The Accountant.)

SIR,—The following "howlers" may contribute to the gaiety of your readers. I selected them from some papers I recently had to mark in a "Bookkeeping" examination :—

"Goodwill"—The difference between the amount of a business as purchased, and the amount it is *afterwards* found to be worth!

"Bank Discount" is charged for giving cash for a bill before it is due, because the bankers have to wail (sic) a long time for the money.

"A Counterfoil" is affixed by a perforation to the left side of a cheque.

Yours faithfully,

8th January 1907. F. C. A.

The Institute of Chartered Accountants in England and Wales.

AT a special meeting of the Council, held on Wednesday. the 9th January 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present :—

Mr. W. B. Peat, President, in the chair; Mr. J. B. Ball, Vice-President; and Messrs. W. Ashworth, J. W. Barber, J. H. Blackburn, W. Blease, E. M. Carter, Ernest Cooper, Sir John Craggs, Messrs. W. H. Fox, John Gane, A. H. Gibson, T. Gregory, J. E. Halliday, B. W. Hardcastle, J. S. Harmood-Banner, M.P., A. C. Harper, D. Hill, W. C. Jackson, F. A. Jenkins, H. Woodburn Kirby, G. Walter Knox, J. G. Litton, J. Mather, A. O. Miles, F. W. Pixley, W. Plender, F. J. Saffery, T. G. Shuttleworth, G. Sneath, J. M. Wade, E. Waterhouse, and F. J. Young.

Mr. Walter Sydney Hunt, A.C.A., of 375 & 376 Birkbeck Bank Chambers, Holborn, W.C., having been adjudicated bankrupt, was excluded from membership of the Institute.

At the ordinary meeting of the Council, held at the conclusion of the special meeting, the Examination Committee reported the results of the examinations in November and December 1906 as follows :—

	Passed	Failed	Total
Preliminary	105	54	159
Intermediate ...	122	58	180
Final	108	82	190
	335	194	529

Also that the following Prizes and Certificates of Merit had been awarded :—

Preliminary Examination.

Prize.

Hawley, H., Fenton, Staffs.

Intermediate Examination.

Prize.

Ward, H. B. (E. Hart), London.

Final Examination.

Prize and First Certificate of Merit.

Carder, F. W. (T. H. Gough), Dudley.

Certificates of Merit in Order of Priority.

Bristol, C. F. (W. Thomas), Birmingham.
Yeoman, L. J. (G. Clark, junr.), London.
Cross, J. G. (J. Benson), Newcastle-upon-Tyne.
Spark, F. V. (E. Sparks), Newcastle-upon-Tyne.
Raymont, F. R. (E. P. Chevalier), Liverpool.
Bairstow, E., (B. Turney), Halifax.
Garratt, A. (A. E. J. Lark), Great Yarmouth.
Wood, W. T., B.A. (H. Woodburn Kirby), London.
Chandler, G. L., B.A. (A. A. Adams), London.
Anderson, C. (W. C. Jackson), London.

The Robert Fletcher Prize was awarded to Mr. H. B. Ward (E. Hart), London.

The resignations of:—

Mr. J. Wainwright, F.C.A., Ashton-under-Lyne,
„ W. J. Davis, A.C.A., Birmingham,
„ F. W. Densham, A.C.A., New Malden,
„ R. Dixon, A.C.A., Redditch,
„ A. S. Fryer, A.C.A., Leeds,
„ W. Robertson, A.C.A., London,

were accepted.

The Secretary reported the death of:—

Mr. C. Neild, F.C.A., Manchester.
„ W. R. Parkinson, F.C.A., Liverpool.
„ H. A. Styring, A.C.A., Sheffield.
„ L. P. Calvert, A.C.A., Nottingham.
„ C. H. Garland, A.C.A., Sheffield.
„ T. Smith, A.C.A., Fallbrook.
„ Cornelius Wheawill, A.C.A., Huddersfield.

Seventeen Associates were elected to Fellowship and seven persons admitted to membership. A list of those who complete their Fellowship or membership by the 24th inst. will appear in our issue of the 26th inst.

Kingston-upon-Hull Chartered Accountants Students' Society.

Graduation of Income-Tax.—To what extent is it Expedient and Practicable?

By Mr. C. E. Isaacs.

A Paper read before members of the above Society on December 5th 1906.

Introductory.

The preparation of this lecture was completed before the Select Committee of the House of Commons, appointed to inquire into the subject, had made its report to Parliament on the 30th November; but I have decided to deliver it unaltered, as the Committee's conclusions have not modified mine in any way.

Where we agree, I am glad to see how largely I confirm views; where we differ, the reasons for such disagreement will be apparent from the supplementary observations I will make in closing this address.

I desire to express my wish to avoid any remarks of a political nature in dealing with this complicated and difficult subject.

We know that whatever party is in power the Government of the country cannot be carried on without money; and we all agree that taxation should be adjusted, as nearly as possible, proportionately to the means of each individual,—that the burden should be made to fit the back which has to bear it, so that the strong shall carry the heavy load and the weak the lighter one.

But when we begin to consider how it is to be done our difficulties commence, and they thicken fast as we grapple with the practical aspects of the problem; for we have to deal with *indirect* as well as direct taxation, in order to arrive at a just conclusion, whereas income-tax itself comes only under the latter heading.

My reasons for choosing this subject, "Graduation of Income-tax," are twofold.

First, a Select Committee of the House of Commons has been engaged during the past six months or more in investigating the practicability of graduating the income-tax, and of differentiating between permanent and precarious incomes. The Committee has finished its work, as regards taking evidence, and is now compiling its report.

Second, as it is necessary to understand the structure—the framework—of the income-tax, and the principles on which it is founded, to be able to determine how far graduation is practicable as well as expedient, it is my desire to convey, in a form which will interest you, some serviceable information.

I will now state my views, which are based not merely upon theory, but on expert knowledge and experience, gained during thirty-nine years over a very wide area.

Every one derives benefit from settled government, and should contribute in a fair degree to the cost of it.

The income-tax appeals at once to the popular mind as the fairest mode of taxation.

Some say, "Let every man pay a uniform tax on his income." Others would differentiate between what is earned and what is enjoyed without labour.

Meaning of the Terms "Graduation" and "Differentiation."

Strictly speaking, "graduation" means the imposition of a small rate of income-tax on small incomes, and a scale of rates ascending as incomes increase.

"Differentiation" means making a distinction between

earned and unearned incomes, and charging the latter at higher rates than the former.

My remarks will relate mainly to "graduation"; but as "differentiation" cannot be entirely separated from it, I have to include it within the scope of my lecture.

I.—Is Graduation of Income-tax Expedient?

It may be conceded at once that graduation of taxation, in its broadest sense, is both expedient and necessary; and, so far as income-tax in this country is concerned, the principle is already recognised in financial legislation.

Enormous masses of our population are so poor as to be unable to pay any direct taxation whatever.

Others, who can afford to pay something, suffer hardship or inconvenience if only an extra penny is added to the rate of duty.

Others, again, are so wealthy that if the rate were doubled or trebled, they would feel no pressure whatever.

The law already recognises all this, and provides accordingly that graduation shall be applied, not, indeed, by charging a higher rate of duty to a large income, and a lower rate to a small one, but by applying a system of *partial* exemption, called abatement, in connection with a uniform rate of duty.

Take, for example, a man who has a total income of £200 a year, consisting of salary only, and another who, besides a salary of £200, has likewise sources of income otherwise taxed, bringing his total income up to, say, £800. In the first case, an abatement of £160 would be granted, and tax would be required at 1s. per £ on £40 only, equal £2. In the second case the tax would be required on the salary of £200 in full, amounting to £10.

Graduation is obtained whether there is a varying rate without allowance of "abatements," or whether there is the allowance of "abatements" in connection with a uniform rate of duty. As to the latter method, we can see its effect in the examples given above.

In the one case the total income from all sources is £200, on which £2 duty is chargeable, equal to 2⅔d. per £.

In the other case the total income from all sources is £800, and the £200 salary, which forms part of it, is consequently charged £10—that is, 1s. per £.

Moreover, by the application of the system of abatements already in force, in connection with a uniform rate of duty, the graduation is granted automatically in a more equitable and perfect way than what is practicable by introducing varying rates of duty.

For example, assuming that a 4d. rate is laid on incomes between £200 and £300, the income of £201 gets no more benefit from graduated rates than the one at £299, though the latter income is practically half as much again as the former; but under the system of abatements the lower income would pay 13s. 8d., while the latter would pay £2 6s. 8d., about three and a-half times as much, equalling a rate per £ of about four-fifths of 1d. and 2d. respectively—obviously a far more equitable result of graduation than what is attained by varying the rate. Instances might be easily multiplied, but I submit I have shown that graduation of income-tax is already in practical operation under existing law, and *in the most effective form.*

To render the tax absolutely just in its incidence, it would be necessary to consider not only the amount of a person's income, but what he has to do with it,—what burdens and liabilities he is subject to, and in what manner and to what extent he contributes in other ways to the revenue by means of indirect taxation.

A bachelor with £150 a year, who pays no income-tax, can better afford to pay, as a rule, than a married man who maintains a large family on an income of £180, and who has to pay not only income-tax, but also more in the way of indirect taxation than the single man, especially if the latter consumes neither alcohol nor tobacco.

One person may have sick or aged and helpless relations dependent on him, from which burdens another person may be entirely free. One person may have to pay out of current earnings old debts caused by sickness or misfortune, while another is able to devote all his income to the present benefits of his family and himself.

Income-tax cannot be assessed with absolute justice, without weighing in detail the circumstances of each individual case; and it is clearly impracticable to attempt such a task.

It is impossible for considerations of this nature to be allowed to enter largely into matters of income-tax assessment; but if they could be, they would seriously affect the case in estimating the taxable capacity of each person.

Extension and Enlargement of Abatements.

The present system may be adapted to attain the object for which graduation is proposed to be introduced, by extending and enlarging the abatements; but it will be futile to attempt to remedy existing inequalities by means of a scale of rates, as I shall illustrate a little later on.

The constant efforts made by Parliament, since the modern income-tax was introduced in 1842, to remove from it all elements of hardship and injustice have added largely to its complications, so adverse to its smooth and simple working.

What Proportion of the Population will Graduation Affect?

The Chairman of the Board of Inland Revenue, in his evidence before the Select Committee of the House of Commons, confirmed the estimate of Mr. Chiozza Money, M.P., that the number of income-tax payers is about 1,100,000.

Only about 2 per cent. of the population pay income-tax at all, and the incomes of four-fifths of even this class do not exceed £700 a year. To such the benefits of graduation are already applied by means of the existing scale of abatements, which vary from £160 down to £70.

We have now to consider only about two-fifths per cent., or one person in 250 of the population of the United Kingdom.

Of this small class the incomes of 90 per cent. do not exceed £5,000, the average being about £1,600.

Those possessing incomes from £5,000 upwards constitute only about one in every 2,500 per head of the population. Regarding these, it may be remembered that they contribute largely to the death duties. Many do not spend all their enormous incomes, large portions of which, after being charged income-tax, are added to their capital, which at their decease becomes also subject to the death duties, involving taxation over again.

If this class is still too lightly taxed, the required adjustment may be found by increasing the death duties, rather than in interfering with the rate of income-tax.

Proposals have been suggested for the imposition of a super-tax on the larger incomes; but as this impost would be tantamount to a variation of the normal rate of duty, I do not deem it necessary to add to what I have said about the inadvisability of introducing a scale of varying rates of duty.

I think that if the abatements were increased and extended to £1,000, all the claims for graduation would be fairly met.

Just as the poorer classes cannot afford to pay income-tax at all, so, on the other hand, those classes who have incomes exceeding a thousand a year can afford to do without abatements, and need not be considered as requiring any relief from assessment of their full incomes.

The higher the income the greater the probability of some portion of it being saved, and being chargeable ultimately to the death duties, as already pointed out.

Differentiation of Income-tax.

With regard to differentiation, we admit the principle that unearned income should, as a rule, be taxed more heavily than what is worked for.

There are, however, two classes of unearned income:—(1) That which is inherited; and (2) that which arises out of the savings of the recipient from income formerly earned by him, and which was then charged income-tax.

The former class is reached by the death duties, which, by diminishing the capital inherited, decrease the future net income, thus operating in the same direction as would an increase in the rate of income-tax.

The latter class, which includes the recipients of pensions or deferred pay,—persons who have earned in the past what they receive in the present, or annuitants who have purchased their annuities by sinking the savings from their former taxed earnings.

It may be fairly assumed that no political economist would wish to discourage thrift by imposing a handicap of an increased rate of income-tax on such a class as this.

An invalid lady, whose slender income consists of unearned income, is surely not in a position to pay income-tax at a higher rate of duty than a person in health earning a similar amount of income by his own labour. I consider that the death duties adjust the grievance that precarious incomes and permanent ones are charged income-tax at the same rate.

I have, however, one good word to say in favour of graduation and differentiation of rates—namely, that they would result permanently in such an enormous mass of trouble and complication for the public that there would be a very large accession of business to accountants, and, I hope, to myself also, as a consulting specialist on income-tax.

So long as equity is observed in imposing taxation it matters not whether the proper adjustments are obtained by the operation of the income-tax, or in some other way; and I think I have clearly shown that unearned incomes are already more heavily taxed than earned incomes, and that any further adjustment should be obtained by increasing the death duties.

II.—How Far is "Graduation" Practicable?

I will now endeavour to demonstrate that graduation of income-tax on the lines of rates of duty, varying according to the amount of the total income of each taxpayer or class of taxpayer, is not practicable, without creating more evils than those it is proposed or supposed to remedy.

It may be said that it is introduced and worked in several foreign countries, and that what is done abroad can be done here.

But can it be proved that the various modes of graduation adopted by foreign countries produce fair and adequate results? If they do not, they defeat their own object; for what is the use of trying to adjust the tax-

payers' burdens by imposing differing rates of duty if the leakage of taxation is so large that a serious proportion of all classes escape their fair share of liability? Whatever may be the methods of assessment adopted by such countries, or whatever measure of success is attained in securing just and adequate results for their respective Governments, we have only to compare their systems with one another to see that they differ too widely to effect that equal adjustment of taxation which such mode of graduation is intended to bring about.

I glean the following information from an analysis of the evidence obtained during the past two years by our own Government, through his Majesty's representatives abroad, showing what principles are adopted by foreign nations, as well as in some of our Colonies, in regard to graduation and differentiation of income-tax.

Scales of rates are applied in Austria, Denmark, Germany, Holland, Italy, Norway, Spain, Sweden, and Switzerland.

Where such graduation is applied there is generally no exemption for incomes exceeding £50 per year.

In Germany the graduation extends as far as incomes of £5,000, which are rated at 4 per cent. Austria places 4 per cent. on £4,000, Norway 4 per cent. on about £1,300, Sweden 4 per cent. on £8,000. In Denmark the tax is only 2½ per cent. for incomes of £5,500.

The scales of no two of these countries agree in the rates of graduation or differentiation, or in the relative distinctions between earned and unearned income.

In Denmark an unearned income of £200 is taxed twice as heavily as one that is earned; but an unearned income of £5,000 is only charged one-fourth as much again as one that is earned.

Germany, Denmark, and some other countries grant allowances from small incomes for disablement by accident, family troubles, and the support of young children and poor relations.

Returns must be made Compulsory.

In order to work efficiently any system of graduation, according to the total income of every taxpayer, a detailed statement must be required from each to show either what abatement he is entitled to, or at what rate of duty he should pay on his whole income.

Consequences of adopting Scales of Rates.

If varying rates are introduced as a means of graduation, it will be necessary to abandon the present system, by which four-fifths of the duty is secured through taxation of income at its source—a process most fruitful in results, and without the drawbacks attendant on personal direct taxation.

There must also be a reactionary reversion to the principle incorporated in the Income-tax Act of 1799, under which the *recipient* of the income was the subject of taxation, not the *source* of the income.

By means of taxation of income at its source foreigners possessing property in this country, though resident abroad, contribute income-tax which might otherwise escape altogether.

I will briefly sketch the income-tax system introduced in the year 1842, the framework of which has lasted ever since.

It is divided into five compartments, called Schedules A, B, C, D, and E respectively.

Schedule A applies to the taxation of houses and lands. These are assessed where they are each situated, in the same way that they are dealt with for local rates.

Schedule B relates to farming profits, which are generally taxed at their source.

Schedule C applies to interest, &c., derived from public revenue, such as interest on Consols, the tax being deducted at its source.

Schedule D relates mainly to business and professional profits, taxed at their source—the place of business.

Schedule E refers to income derived from employment of a public nature, including that of the Civil Service. (The emoluments of civil servants are taxed at their source, the duty being deducted by Government before payment of the balance to each recipient.)

Taxation at its Source requires a Uniform Rate of Duty.

I will demonstrate this by examples. Take Schedule A, for instance.

The owner of a house lets it at £100 a year. It is subject to ground rent £20, and mortgage interest £30 a year.

The assessment is made on the annual value (say) £100, at 1s. per £, the current uniform rate. The tax is payable at its source by the occupier, who deducts it from the owner on paying his rent. The owner in his turn deducts 1s. per £ from what he pays the ground landlord and mortgagee respectively, and the whole matter is settled.

Let us now suppose that a "graduated" tax is introduced, imposing (say) 6d. per £ on all incomes between £160 and £400, 8d. on all incomes between £400 and £500, and 10d. per £ on all incomes between £500 and £600. The owner's income in the above case is, we will suppose, in the first category, the ground landlord's in the second, and the mortgagee's in the third. It is manifestly impossible

that the property charged on £100 at 1s. per £ can be assessed under such conditions, at its source, without palpable injustice being done; for the owner cannot properly make the deduction of tax at a lower rate than 1s. per £, if he has himself paid it.

The result would be that the owner would be taxed at 1s. per £ instead of 6d., the proper rate in his case; the ground landlord at 1s. per £ instead of 8d., the proper rate in his case; and the mortgagee 1s. per £ instead of 10d., the proper rate in his case.

Supposing also that the mortgagee is subject to an annual charge payable to someone who is not liable to income-tax at all. The mortgagee must deduct 1s. per £ from the party who is exempt in order to protect himself.

Here are four persons who have an income arising out of this one house, and each one of them must make a claim for repayment of the difference between 1s. per £ and the appropriate rate of duty on their incomes derived from this one house.

If, on the other hand, the house is charged only 6d. per £, the rate appropriate to the owner, he cannot properly deduct more than 6d. per £ from the ground landlord and the mortgagee, the result being that the ground landlord would pay 2d. per £ less than he ought, and the mortgagee 4d. per £ less than he ought.

The fourth person, who is exempt, will pay 10d. per £, the highest rate I have quoted in my illustration of payments of duty, which he must either lose, or trouble himself and the Inland Revenue by claiming repayment.

So much for graduated rates of duty under Schedule A. We will now turn to Schedule B.

A farmer is assessed on land valued at £600 per year. His statutory income therefrom is one-third, viz., £200.

If this constitutes his sole income he is entitled to pay only a 6d., but he may have other income. He has neglected to make a return of his total income, so the assessor does not know what graduated rate of duty he should pay in respect of this £200. Suppose he obstinately refuses to make a statement, being both stubborn and illiterate. He may get fined in consequence. Meanwhile the work of assessment is obstructed.

Under Schedule C the tax cannot be deducted at its source, with varying rates of duty, according to the total income of each recipient of income (unless instructions are furnished as to each case by the Inland Revenue authorities) without producing most unsatisfactory results, such as I have illustrated under Schedule A.

Under Schedule D let us see how graduated rates would work.

Suppose a *private* firm is assessed on its total profits, say, £5,000.

There are four partners, one receiving salary but contributing no capital, one contributing capital but receiving no salary, one receiving salary and interest of capital as well, and one receiving a share of the residue of the profits.

The total income of each differs from all the rest. Each is entitled to pay on a different rate of duty, and the Revenue also claims to charge the interest on capital at higher rates than the partners' salaries as being unearned income.

To assess the £5,000 as a whole would result in much trouble and friction, as anyone can see, and produce a plentiful crop of repayment claims and appeals; because, if assessed as a whole, it must be charged at a rate of duty in the graduated scale which will cover the liability of the most wealthy partner, or loss must fall on the Revenue. Clearly, the only way to work a graduated scale of duties is to abandon taxation of income at its source, and to deal simply and solely with each individual taxpayer—*that is to say, we must revert to the system embodied in the income-tax of* 1799, *introduced by Pitt, under which a return of aggregate income was required from every one whose income was presumably* £60 *a year and upwards.*

An abatement was at that time allowed for children forming a part of the taxpayers' family, as well as deductions in respect of allowances to poor relations not forming part of his family.

The rate was fixed at 2s. in the £ for all incomes of £200 a year and upwards.

(A clerk earning £200 a year nowadays would be likely to look grave at a collector's demand note for £20 for income-tax payable on January 1st.)

Between £200 and £60 there was an elaborate scale of various rates of charge, changing at each rise of £5 in income.

Incomes under £60 were totally exempted. Here you have a well-meant attempt at graduation by the use of varying rates; but it was very partial in its application, as the rate was uniform for incomes of £200 and upwards.

Mark the result of this measure. The inconvenience to the public, also to the officials—a secondary matter, it is true—was so great, and the leakage and evasion were so disastrously extensive,—a matter of very great importance—that when the tax was reimposed in the year 1803 the requirement of a general return of income from all sources was dropped. *On the part of the public, the chief objection to the impost of* 1799 *was its inquisitorial character*, so the measure satisfied nobody.

In 1803, only returns of income from particular sources, not otherwise taxed, were asked for, the tax being divided into five schedules, as it is now, these schedules being substantially the same as we have them in the modern income-tax.

Exemption was allowed, as in the former Act, for incomes under £60, and an abatement for incomes from £60 to £150, on the same principle which is adopted at present.

The yield of revenue was at once doubled. Abatements on account of children and poor relatives, which were allowed in the Act of 1799, were restricted to families of more than two children, such abatements varying with the number of the children and the amount of the parents' income.

In 1806 a new Income-tax Act was passed, in which total exemption was restricted to incomes below £50, and, still further, to incomes derived from labour, thus introducing the principle of differentiation.

The abatement for families of more than two children was discontinued.

The Act of 1842, the basis of the modern income-tax, is, for the most part, a reprint of the Act of 1806; but it omits all mention of special exemption for small earned incomes, or on account of children and dependent relatives; and there is no revival of the legislation of 1799, which required from every taxpayer a general return of the whole of his income for direct assessment.

As a result of the working of the older Acts, no special exemptions and abatements for earned incomes and for families with children were included in the Act of 1842.

Ought we to ignore the experience of the past, and go back a century and more to the times of our forefathers by adopting those schemes of taxation which have so decidedly failed in practice?

I am forced to the conclusion that the best, the fairest, and indeed the only practicable, method of working a graduated income-tax properly is the present system, which admits of an enlargement and extension of the abatements, now limited to incomes not exceeding £700 a year.

The single rate of duty may be raised or lowered annually, according to the nation's requirements, without disturbing the machinery, except that a larger staff would be required to cope with the augmented number of abatement claims.

Can a Large Increase of Trained Officials be at once Provided?

It is obvious that untrained officials cannot be entrusted with the work of examining these claims, also that a considerable period must elapse before men can be sufficiently educated in the technicalities of income-tax work to be of much use.

For a year or two the services of retired officers might be utilised to cope with the emergency.

Some of them would doubtless be willing to be recalled for temporary duty, and their help and experience would be very valuable in tiding over an emergency.

There are no insurmountable administrative difficulties in the way of extending and increasing the abatements.

But how far ought they to be extended? It is possible to increase the number of total exemptions by raising the limit of abatement from £160 to a higher figure.

By extending abatements to persons whose total incomes exceed £700, the present limit, and making up the loss of revenue thus entailed by imposing an increase in the uniform rate of duty, the Legislature would carry out the object of a graduated income-tax by shifting the burden of taxation from the shoulders of the poor to those classes who are better able to bear it.

Those whose incomes are so small that they cannot afford to pay income-tax are protected by the limit of exemption, which is placed as high as £160, and may be raised still higher if desirable.

Those who possess incomes running into four figures may well be considered able to pay income-tax without allowance of abatement.

The scale of abatements applied to incomes between £160 and £700 might be raised and extended so as to include incomes not exceeding £1,000.

The Income-tax System should be Simplified.

People are more willing to pay income-tax if they understand clearly the rules and regulations under which they are assessed; but the more the system is encumbered with complications, which few people have time and patience to master, so long will there be evasion and loss of revenue.

I agree with the evidence of a distinguished financial witness before the Select Committee that, speaking generally from his experience as a Commissioner of Taxes and a man of business, the income-tax returns are honest, but that business men wish to avoid all questionings by the authorities.

(As to this, I submit that questions are necessary in proportion as the regulations are complicated and liable to be misunderstood.)

The witness thought also that there is an inclination on the part of the public to give the revenue the benefit of the doubt in doubtful cases. He also believed that the taxpayer, so long as he thought he was being treated fairly

and honestly, would deal fairly and honestly with the authorities; but that if he felt he was being treated with suspicion, he would use every means to evade the tax.

Failure to make Returns.

There is no doubt, however, that cases of evasion have largely arisen on the part of people making large incomes, but failing to make any return at all.

Many persons fail to make returns because they are afraid of committing errors through misunderstanding the rules and regulations, and so laying themselves open to penalties and exposure for making false returns.

Under any scheme of *graduated rates of duty* returns must be made compulsory, or there can be no adequate evidence on which to determine the rate of duty applicable to each case.

But under the present system of taxation at the source you can have only a single rate of duty; and it is optional with the taxpayer whether he will make a return of *his total income from every source* or not. If he declines to do so, he may forfeit any abatement he may really be entitled to. That is all. For assessment purposes it is only required that he should return income not otherwise taxed.

The Income-tax should be very much Simplified.

If all the income-tax legislation is thoroughly revised, simplified, and reformed, it may become popular and prolific to a large degree, and a vast and permanent source of strength to the national exchequer.

At present, however, it is so complex and obscure in many respects as to cause grave difficulties even to Judges of the High Court.

Many years ago an income-tax case was taken to the Court of Exchequer on appeal against a decision of the Commissioners of Taxes in favour of a company.

The Court upheld the Commissioners. The Inland Revenue authorities then appealed to the House of Lords, the whole proceedings lasting over two years. In the end the Lord Chancellor and his colleagues decided against the firm, thus reversing the decision of the Court of Exchequer.

In another case a learned Judge said, while delivering his judgment:—

"Like all other income-tax cases this has been a very "complicated one. You have to go about from one Act of "Parliament to another, and after you have passed over an "old Act of Parliament you have to come to a modern one, "and then you have to go back to the old Act of Parliament "to find some of the sections of the old Act which have "been incorporated with the new Act, and the result is that "we have to go back from page to page, and then go on "to certain other pages, and then come back again; so "that it has been almost impossible to follow the case "without a great deal of difficulty."

Another Judge, engaged in the same case, made this observation:—

"This is a case of very great difficulty and complexity. "It is impossible to deny that; and that is what I generally "find when any question arises under the Income-tax Acts. "It taxes all one's ingenuity and all one's powers of under-"standing to see what the Legislature have really meant."

Is it then to be wondered at that some nervously disposed taxpayers are afraid to make returns for fear of being involved in proceedings for penalties in consequence?

The Chairman of the Board of Inland Revenue, in his evidence before the Select Committee, pointed out that under the graduated system proposed special machinery would have to be devised; that the Commissioners should have special and drastic powers; that there should be strong penalties for failure to make a full and true return; and that when the Surveyor came to a conclusion the matter would go before a special board, who would make the assessment; but, of course, there would be power of appeal.

Probably he is right in pointing out this, as a necessary consequence of introducing a graduated scale of duties applicable to varying classes or amounts of income; but it would *increase* the existing difficulties and complications surrounding the administration of the income-tax; whereas the interest of the public requires that they should be *simplified, modified, or abolished.*

Is Income-tax Really Popular?

I observe that one influential witness stated to the Select Committee that income-tax is the most popular tax. I have often heard something similar from taxpayers, but have generally found such popularity to be only skin deep, where their own individual liability is under crucial consideration.

How long would the popularity last, such as it is, if the Surveyor of Taxes were invested, as was proposed to the Committee, with direct power to *compel* people to produce all their books of account to him for examination?

Taxation of Income at its Source should be Retained.

I have endeavoured in this lecture to show that there is no need to alter the fundamental principle on which the present income-tax system is based—namely, that income shall be taxed at its source—as all the advantages of graduation can be obtained by varying and extending the present scale of abatements, using a uniform rate of duty throughout.

I have also shown that the proposed graduation by means of differing rates per £ is not compatible with taxa-

tion of income at its source, which prevents enormous leakage of revenue.

There is no other alternative. We must either abandon taxation of income at its source, or give up the idea of applying different rates of duty to different incomes as a means of graduation.

Remarks on the Select Committee's Proposals regarding "Differentiation."

The Select Committee propose to give effect to "Differentiation"—

1st, By charging a lower rate on earned income than on unearned income.

2nd, By charging earned and unearned income alike at the higher rate, where the total income is £3,000 a year and upwards.

3rd, By imposing a super-tax upon incomes of £5,000 a year and upwards.

The effects of the two first proposals may be illustrated thus:—

A person carrying on business is assessed on return £2,990, and pays income-tax at 8d. thereon as earned income.

Another person carrying on business is assessed on £3,010, and has to pay income-tax at 1s. per £.

The assessments of these two persons are practically equal, yet one of them has to pay half as much again as the other, and with the knowledge that he is a victim of the inconsistent abandonment, in his case, of the principle of differentiation between earned and unearned incomes.

Furthermore, in the first case the profits, let us suppose, are very small, the assessment consisting almost entirely of interest on borrowed capital (unearned income). Yet duty has to be paid only at the lower rate.

In the second case the capital is small and the assessment mainly comprises earned income, which is charged at the higher rate.

Here are illustrations of earned income being charged at the higher rate and unearned income at the lower rate—exactly reversing the application of the Committee's design, which is to *relieve* earned incomes to some extent.

Again, if a person is assessed at the lower rate, and deducts income-tax at the higher rate when paying interest on borrowed capital (unearned income), he can pocket the difference. If, however, he deducts income-tax only at the lower rate, the interest on capital is charged only as if it were earned income. In both cases the Revenue loses.

Take another illustration. A business is chargeable at, say, £4,000. There are several partners, the total income of each partner varying thus. One has £300 from all sources, another £900, and a third £3,100. The assessment is made on £4,000 at the normal or higher rate. You can see what complications would be caused if the principle of taxation of income at its source were carried out, as it ought to be.

I give a final example. A medical man raises a loan to purchase and start a business. He is assessed at (say) £900 at the lower rate, but he pays interest on capital. He deducts income-tax at the lower rate. Consequently the recipient of the interest pays at the lower rate instead of the higher. The Revenue consequently loses the difference.

The third proposal is to levy a super-tax by means of a general declaration from any person whose income is deemed to exceed £5,000.

It seems unfair to the poorer orders of income-tax-payers that persons whose incomes exceed £5,000 should have their liability to super-tax determined on a general declaration, while all others are compelled to give *accurate and detailed statements*, under pains and penalties for neglect or omission, when claiming exemption or abatement.

We may reasonably expect that persons who want to obtain reductions or abatement of income-tax will put themselves to some trouble to make the necessary returns in order to attain their object; but is it likely that persons whose incomes are over £5,000 will go out of their way to proclaim their liability to a super-tax by voluntarily informing the Revenue authorities of the fact?

The idea of increasing taxation on unearned incomes may be fair, but it must be carried out by some other medium than income-tax, if the principle of taxation of income at its source is to be retained.

It will now afford me great pleasure to reply, as well as I can, to any questions which you may desire to put to me on the subject.

The Constitution of the Bank of England.

BANKING reform, it is generally understood, is under the consideration of the Chancellor of the Exchequer. Whether he will be able to take it in hand next session will depend, firstly, upon whether he has made up his mind as to the extent of the changes required; and, secondly, upon whether the Cabinet ranks banking reform amongst the most urgent questions it has to deal with. But that banking reform will be undertaken either next session or the session following is expected by the whole country. That it ought to be

thorough when essayed is plain to everybody who thinks. It is now over 60 years since Sir Robert Peel's legislation. In the interval the whole face of the world has been altered by an economic revolution greater than ever has been witnessed in the same space of time; but with regard to banking there has been no revision of the law. Small points, it is true, have been dealt with, but there has been no reform. It is probable, then, that whatever is done by the present Government will remain the law for a considerable time to come, and it is much to be desired, therefore, that the reforms should be not only well considered and in the right direction, but that they should also be thorough and calculated to stand for a considerable time. The most pressing of all banking questions, no doubt, is that of the reserves to be kept. But it will be disappointing if the Chancellor of the Exchequer stops short at merely requiring the banks to keep reserves. It ought to be settled who is to have the custody of the reserves and on what conditions. For example, it would be costly, and therefore wasteful, if every bank throughout the United Kingdom were to be required to keep a separate reserve in gold. The banks have no vaults in which to keep the metal, and at present they have not the staff to guard it. In what manner, then, are the reserves to be held? Manifestly the cheapest way, as well as the way that would make the least change in the system to which the country has grown accustomed, would be for the Bank of England to undertake the custody of all the reserves. But if the Bank of England is to be the custodian of all the reserves of the United Kingdom, or at all events of all the reserves of England and Wales, the constitution of the Bank of England ought to be brought into harmony with modern conditions. The Bank of England was founded more than two centuries ago. The constitution originally given to it was excellent, as is proved by the fact that the administration has been so good throughout so long a period. But the whole conditions of life have changed during those two centuries, and now the constitution of the Bank of England is not merely antiquated, it is entirely out of date. More particularly, the Bank ought to have one permanent head. In saying this we are not to be understood to hint dissatisfaction with the management of the present Governor. On the contrary, he has done exceedingly well in trying times, especially considering that he is not a trained banker—that until four years ago, in fact, he had practically no acquaintance with international banking. But we are now looking forward to the future, not looking back to the past, and we think everybody will agree with us in saying that it is entirely wrong that the Bank of England should have no permanent chief. A Director of the Bank of England practically takes no part in the business of the Bank until he becomes Deputy-Governor. In that position he has a certain amount of training for two years. Then he becomes Governor, and is virtually absolute for two years more. At the end of the two years, when he is beginning to feel himself competent for the place he fills, he goes out of office, and a new man comes in, to learn at the expense of the whole trade of the country.

To make matters still worse, there is no permanent manager. There are two heads of great departments, very competent men, but neither is chief, and neither, therefore, has either the responsibility or the power which a manager should have. We take it for granted that if nothing is done in the meantime the Chancellor of the Exchequer will put an end to this exceedingly unsatisfactory state of things. It is for the Directors of the Bank of England to consider whether they will leave it to the Chancellor of the Exchequer to settle what is to be the future constitution of the Bank, or whether they will themselves take the initiative and make a change which, in the eyes of the Government, will probably seem deserving of a full trial. We would, then, ask, are the Directors prepared to appoint a permanent Governor? In putting the question we know we are asking very much from the Directors. In fact, we are asking each one of them to renounce his right to reach the Governor's chair and to put one of themselves in a position in which he will be, to all intents and purposes, the autocrat of the Bank for the remainder of his active life. It is, as we say, asking much. But we venture to think that it is not too much from men who are so deeply and honestly interested in the good management, the prosperity, and the credit of the institution with which they are so intimately identified. It is not necessary, of course, that they should elect one of their number for life. It would be enough if they were to decide that he would remain Governor during good behaviour. In other words they would retain the power to remove him if, in their opinion, he proved himself unfit for the position. But if he were a success he would remain in office for life, or at all events until he attained the age when it would be desirable that he should seek repose. If the Directors were to make this change, it would be necessary for them, of course, to give the new permanent Governor a large salary. As matters stand at present, a Director during the four years that he fills the offices of Deputy-Governor and Governor can give practically no attention to his own affairs. It is a long time to virtually delegate the management of his own business to others, and it is hardly to be expected that any man would give up the whole of his time for an indefinite period, in all reasonable probability for the remainder of his life, for the remuneration now received by the Governor. No doubt the position of a permanent Governor is an enviable one. He would be, beyond all question, the first man in the City. He would exercise almost unbounded influence. And, therefore, wealthy men might well be willing to take the post. But it may be that the man most fitted for the post is not a wealthy man, or that, if comparatively wealthy,

he has great interests which sorely need his own personal attention. Therefore, to make sure of always getting the fittest man for the position, it would be necessary to attach to it a large salary.

Supposing the Directors, rather than leave to Parliament the reform of their institution, were to decide upon the measure we have suggested, and to attach to the post a sufficiently large salary, there would be certain very marked advantages in the proceeding. In the first place, the Directors would have a better opportunity than anybody else to know the real character of one another, and therefore ought to be able to select the fittest man. In the second place, the position of Governor would be removed altogether from politics. In the third place, it would be possible, if the Directors made a mistake, to remedy it without serious trouble. And, in the last place, outside influences would not intrude themselves into the management of the Bank. On the other hand, it may be objected that the Bank of England, though it is nominally a private trading concern, is in reality a State institution; and that, therefore, the State ought to have in practice, as well as in theory, a direct voice in the management of the Bank. The experience both of the Bank of France and of the Imperial Bank of Germany proves that Governments can be trusted to select really competent Governors, and that the Governors so appointed can be trusted to manage the institutions committed to their care in a most admirable manner. Further, it may be said that while the Directors of the Bank of England would from the nature of the case be limited to their own members in choosing a Governor, the Government would be able to make the selection from the whole community, and that the Government could retain to itself the power to remove a Governor if he were to prove unfit. There is very great force in the argument. Nevertheless, it is obvious that in our party system party would try, at all events, to influence the appointment. As already pointed out, a permanent Governor of the Bank of England would occupy a position which would be attractive to almost any man, however wealthy and however able he might be, and consequently it might come to be regarded as one of the rewards for an active party man who had made many sacrifices for his party. Unquestionably, ambitious people would all desire to get the post, and every kind of influence would be used to secure it. Against this it is to be borne in mind that the City would be so deeply interested in the good management of the Bank of England that the whole influence of the City would be used to prevent mere party appointments. It is scarcely credible that any Government, whatever name it bore and whatever its supporters might be, would set City opinion at defiance. On the contrary, it is reasonable to anticipate that the City would be consulted in making the appointment. Certainly in democratic France there is no abuse of its power in this respect by the Government. However, it is for the Directors of the Bank of England at the present moment to consider whether they will risk all the dangers just pointed out, and others that might be referred to, or whether they will themselves make a reform which will be so deserving that the Cabinet may reasonably be trusted to give it ample time for trial.

(*The Statist.*)

Personal.

MR. JOHN HAMP, Chartered Accountant, has commenced to practise at 9 & 10 Pancras Lane, Queen Street, E.C., under the style of JOHN HAMP & Co.

MR. WALTER A. PEARCE, A.C.A., has removed from 65 London Wall, E.C., to 16 Finsbury Circus, E.C.

MESSRS. T. & G. RORIE, Chartered Accountants, Dundee, and Mr. C. S. COLLIER, Chartered Accountant, announce that they have commenced practice at 1 Cornhill, E.C., under the firm name of RORIE & COLLIER, Chartered Accountants. Mr. COLLIER has been until lately with Messrs. C. F. KEMP, SONS & Co., London.

MESSRS. C. J. SINCLAIR & Co., Incorporated Accountants, have removed to Bevois House, 28 Basinghall Street, E.C.

MR. E. W. WALKER, F.C.A., of 25 Cross Street, Manchester, announces that he has taken into partnership his son, Mr. EDWARD HOBSON WALKER, who was articled to him and admitted to the Institute of Chartered Accountants in July 1905. They will continue to practise at the above address under the style of E. W. WALKER & SON.

MR. ERNEST B. WINN has retired from the firm of CARTER & Co., Chartered Accountants, Waterloo Street, Birmingham, and has resumed practice on his own account, under the style of ERNEST B. WINN & Co., at 40 Bennett's Hill, Birmingham.

Reviews.

Modern Commercial Arithmetic.

By GEO. H. DOUGLAS, M.A.

Part I. London, 1906: Macmillan & Co., Lim. Price 1s. 6d.

It is hardly to be supposed that any of our readers can have much use for a work of this description, which is of a pu-

elementary character, but it may be of interest to some as showing how arithmetic is being taught at the present time.

Spanish Commercial Practice.

By J. GRAHAM AND G. A. S. OLIVER.

Part II. London, 1906: Macmillan & Co., Lim.

Price 4s. 6d.

This handbook deals with the practice connected with the export and import trade to and from Spain, Spanish colonies, and the countries where Spanish is the recognised language of commerce. It contains a number of representative forms and letters which appear to cover the ground as fully as it can well be covered in the form of a handbook. To those who are in a position to supplement the information it contains by practical experience it will doubtless prove of value, but like most works of its kind it can hardly be expected to turn the theoretical student into a practical business man.

The Accounts of Executors and Trustees.

By PRETOR W. CHANDLER, Solicitor.

In Two Volumes. London, 1906: Butterworth & Co., 11 & 12 Bell Yard, Temple, E.C.

In his preface the author informs us that this book has been written at the suggestion of the Council of the Law Society, and the reasonable deduction would appear to be that having been published with that *cachet*, it has the Council's approval. It is a work displaying much careful thought in its preparation, and its general scheme of arrangement is to be commended, but, as a serious attempt to instruct solicitors and others as to how the accounts of executors and trustees ought to be kept, we can only regard it with disapproval. It suggests to us that solicitors, including those who write for the instruction of others, have very much to learn upon the subject of keeping accounts before they should undertake for payment the keeping of the accounts of clients. No useful purpose would, we think, be served by going into the matter in detail. The system adopted is, we think, bad, and represents that which should be avoided more than that which should followed.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Jan. 4th, was 104, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 57; Deeds of Arrangement registered, 47. The respective numbers in the corresponding week of last year were: Bankruptcies, 83; Deeds of Arrangement, 45—total, 128; being a decrease of 24.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Jan. 4th, was 74. The number in the corresponding week of last year was 102, showing a decrease of 28.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Jan. 4th, amounted to £977,034, by way of addition to £1,008,667, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,015,392, showing a decrease of £38,358.

MOORE'S CLUB.—Under the presidency of Mr. Alfred Aylett Moore, the inaugural concert in connection with this club took place recently at the London Tavern, Fenchurch Street, E.C. The Chairman was supported by Mr. Edwin J. Venner and Mr. Harold M. Moore. In proposing the toast of "The Firm," Mr. Russell C. Spurr said the club had recently been formed by the staff of Messrs. Edward Moore & Sons, Chartered Accountants, for the mutual enjoyment and benefit of members, as offered by social intercourse at occasional musical evenings, and to encourage physical culture—swimming, cricket, cycling, gymnastics, and other sports. In response, the Chairman said the proposer of the toast had suggested there was to be no speech-making, but he felt it incumbent upon himself to make a response to the toast of his health. On behalf of the firm, although one of them (Mr. Edward C. Moore) was half-seas over, being on board the "Caronia," he felt that the firm lived up to its telegraphic address, which was "Balance, London." Mr. Moore thanked the many artistes who had appeared and thus helped to successfully launch "Moore's Club." Several business houses had similar clubs, and he hoped that the firm's large staff would unite and help to make the club an unqualified success. Among those who contributed to the entertainment were Misses Winnie Bruce, Kittie Malone, Jenny Reeve, Edith Tufnail, Maud Perry; Messrs. James Payne, Charles Conway, Pino Conti, Victor Courtney, Edgar Coyle, Walter Fullerton, Laurence Harewood, Hartnell Lacey, Walter Peach, Fred G. Read, George Roberts, Walter Taylor, and Little Thomas (late of Mohawk Minstrels). The membership of the club is not entirely confined to present members of the staff, and Mr. Arthur Tyrrell, at 3 Crosby Square, E.C., will be pleased to hear from any past employees.

Failures 1906.

Statistics of Failures in the United Kingdom during the year 1906.

By Richard Seyd, F.S.S.

The number of Failures during the year 1906 was 9,515 (4,990 Bankruptcies and 4,525 Deeds of Arrangement, including Scotch Trust Deeds), of which 869 (414 Bankruptcies and 455 Deeds of Arrangement) are in the financial, wholesale, and manufacturing branches of trade, 623 (523 Bankruptcies and 100 Deeds of Arrangement) among the professional classes, &c., and 8,023 (4,053 Bankruptcies and 3,970 Deeds of Arrangement) in the retail trades and working classes

The Failures in the Wholesale Trades were distributed as follows:—

	1904.	1905.	1906.
In London	224	279	295
,, Lancashire and Cotton District	169	132	149
,, Yorkshire and Woollen District	99	93	92
,, Birmingham and District (including Sheffield)	118	101	75
,, Newcastle, Hull, Middlesbrough, and North East Coast	29	39	43
,, Bristol, West of England and South Wales	37	43	24
,, Leicester, Nottingham, and Midlands	80	96	59
,, Rest of Provinces	34	30	33
,, Scotland	80	90	85
,, Ireland	13	13	14
	883	916	869

The number of Failures in each month during the year 1906 was as follows:—

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Wholesale	72	73	69	65	84	71	58	73	63	68	105	68
Professional	60	49	59	49	60	54	49	49	41	33	64	56
Retail	688	695	800	623	781	653	651	599	577	722	709	525

Of which Deeds of Arrangement are—

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Wholesale	26	41	42	29	46	37	30	32	45	33	48	41
Professional	11	2	7	16	9	10	12	3	7	6	10	7
Retail	309	322	391	340	392	332	311	302	310	364	338	259

Distributed as follows:—

		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
England	Wholesale	61	61	58	52	72	68	55	62	57	61	97	66
	Professional	50	39	50	38	52	50	41	42	33	28	57	49
	Retail	608	602	699	523	674	558	580	522	517	634	630	458
Scotland	Wholesale	11	10	8	12	11	2	3	11	2	6	7	2
	Professional	5	9	9	9	5	4	6	3	7	3	6	3
	Retail	67	68	74	71	85	71	55	60	42	73	65	53
Ireland	Wholesale	—	2	3	1	1	1	—	—	4	1	1	—
	Professional	5	1	—	2	3	—	2	4	1	2	1	4
	Retail	13	25	27	29	22	24	16	17	18	15	14	14

The various branches of Commerce show the following proportions of Failures:—

	1904.			1905.			1906.		
	B	D	Tl.	B	D	Tl.	B	D	Tl.
Agents, commis., &c.	32	19	51	30	18	48	34	21	55
Bankers, banks and foreign bankers	1	—	1	—	—	—	1	—	1
Boots and shoes	23	40	63	35	36	71	16	34	50
Brewers	3	2	5	2	2	4	4	1	5
Cement, asphalte, &c.	—	1	1	2	—	2	1	1	2
Cigars and tobacco	7	1	8	3	5	8	3	6	9
Coals	19	5	24	13	10	23	14	8	22
Contractors	2	4	6	2	1	3	6	4	10
Corn merchants and millers	7	6	13	10	10	20	8	19	27
Cotton and Colonial brokers	1	4	5	3	2	5	1	2	3
Cotton spinners and manufacturers	3	17	20	—	3	3	6	2	8
Carriers, tanners, and leather merchants	11	13	24	16	10	26	10	13	23
Discount & bill brokers	—	—	—	—	—	—	—	—	—
Wholesale chemists and druggists	7	3	10	4	5	9	8	3	11
Drysalters, oils, and colours	9	11	20	7	4	11	8	11	19

	1904.			1905.			1906.		
	B	D	Tl.	B	D	Tl.	B	D	Tl.
Dyers, bleachers, and finishers	6	15	21	5	5	10	5	10	15
Electroplaters	2	10	12	4	3	7	—	1	1
Engineers, founders, iron, and metal, merchants	93	60	153	86	70	156	57	54	111
Financial agents ..	15	1	16	22	1	23	11	1	12
Glass, lead, earthenware	8	9	17	4	3	7	4	6	10
Gunpowder	—	—	—	—	—	—	—	—	—
Hats and caps	3	6	9	7	4	11	5	9	14
Hops	—	1	1	1	1	2	1	—	1
Jewellers	4	11	15		12	21	10	11	21
Manufacturers & merchants of woollens, silk, &c.	24	50	74	30	40	70	32	43	75
Merchants	35	37	72	50	31	81	44	39	83
Oil-cloth	2	3	5	—	2	2	2	2	4
Provisions	27	20	47	36	31	67	34	25	59
Rope, sails, &c. ..	7	7	14	—	4	4	3	1	4
Ship-brokers & owners	7	3	10	16	3	19	12	1	13
Shipbuilders	—	2	2	1	1	2	—	1	1
Stationers, paper, &c.,	1	6	7	11	9	20	9	17	26
Sugar refiners	—	—	—	—	—	—	—	—	—
Tea, coffee, & groceries	4	6	10	5	10	15	4	3	7
Timber	15	13	28	11	15	26	11	12	23
Warehousemen and importers of foreign goods	30	47	77	56	46	102	33	71	104
Wine	13	12	25	7	19	26	10	15	25
Woollen and cotton waste	—	5	5	1	3	4	4	3	7
Woolstaplers and merchants	5	7	12	3	5	8	3	5	8
Total	426	457	883	492	424	916	414	455	869

In Professional Pursuits, &c., there were:—

	B	D	Tl.	B	D	Tl.	B	D	Tl.
Accountants	17	2	19	24	2	26	18	4	22
Actors, artists, &c. ..	11	4	15	16	4	20	16	3	19
Auctioneers, house agents, surveyors ..	73	23	96	86	24	110	64	16	80
Clerks in holy orders ..	13	3	16	10	1	11	9	3	12
Engineers and officers in Army and Navy and retired	27	2	29	25	4	29	22	—	22
Newspaper proprietors and Journalists ..	12	2	14	12	1	13	8	3	11
Professors of music ..	1	1	2	1	1	2	2	4	6
Schoolmasters	31	11	42	37	14	51	22	12	34
Solicitors	46	10	56	31	9	40	44	5	49
Stockbrokers & Jobbers	19	3	22	18	4	22	30	4	34
Surgeons, physicians, dentists	28	10	38	47	12	59	44	6	50
Private persons.. ..	270	57	327	288	45	333	244	40	284
	548	128	676	595	121	716	523	100	623

In Retail Trades, &c., there were:—

	B	D	Tl.	B	D	Tl.	B	D	Tl.
Aerated waters, &c. ..	18	24	42	23	28	51	12	17	29
Bakers	126	148	274	140	118	258	132	122	254
Blacksmiths	61	34	95	50	45	95	39	40	79
Boatbuilders, mast makers	1	7	8	8	8	16	3	1	4
Brewers (common) ..	11	10	21	6	8	14	12	7	19
Brick makers	11	6	17	4	2	6	12	15	27
Brush & basket makers	4	7	11	2	5	7	7	5	12
Builders, architects ..	351	318	669	334	266	600	344	237	581
Butchers	126	67	193	138	98	236	130	77	207
Cab-drivers, carters, &c.	2	—	2	8	—	8	6	1	7
Cab, omnibus proprietors, and livery stables	26	25	51	36	29	65	41	18	59
[illegible]et makers, upholsters	64	108	172	53	101	154	59	100	159
Carpenters, joiners ..	52	23	75	51	12	63	40	37	77
Carriage and motor-car builders	27	34	61	24	34	58	24	33	57
Carriers, cart owners ..	27	23	50	28	18	46	37	21	58
Carvers, gilders, &c. ..	16	29	45	21	28	49	9	14	23
Cattle & horse dealers	30	16	46	38	13	51	25	8	33
Chemists, druggists ..	30	55	85	24	33	57	31	47	78
Clerks and commercial travellers	263	33	296	245	42	287	180	32	212
Coal dealers	57	66	123	70	60	130	85	61	146
Coffee and eating-house keepers ..	32	17	49	32	17	49	19	11	30
Confectioners	66	93	159	64	106	170	32	57	89
Coopers	2	2	4	4	2	6	—	1	1
Corn chandlers, hay and straw	26	29	55	29	28	57	19	31	50
Cow keepers, dairymen	42	20	62	39	23	62	55	28	83
Cycle manufacturers and agents	57	81	138	56	77	133	50	54	104
Drapers and hosiers ..	152	375	527	142	359	501	129	320	449
Farmers	240	240	480	275	247	522	219	173	392
Fishing smack owners	9	4	13	8	1	9	3	3	6
Fishm'g'rs & poulterers	62	26	88	91	40	131	84	33	117
Furniture dealers ..	36	41	77	33	48	81	19	43	62
Gardeners, market gardeners	25	10	35	29	9	38	17	5	22
General dlrs., cur'sities	63	85	148	53	60	113	42	43	85
Glass and earthenware dealers	17	42	59	19	35	54	15	33	48
Greengrocers, fruiterers	104	48	152	141	58	199	121	62	183
Grocers, provision d'lr's	396	663	1059	415	699	1114	414	710	1124
Hair dressers and perfumers	31	20	51	36	13	49	24	12	36
Hatters	9	15	24	7	22	29	5	21	26
Ironm'ng'rs, japanners, tinmen	67	136	203	56	114	170	48	100	148
Jewellers, watchm'k'rs	56	93	149	40	79	119	40	65	105
Labourers, bricklayers	169	37	206	136	20	156	97	13	110
Leather dealers ..	5	18	23	4	10	14	9	12	21
Lodging house keepers	32	18	50	59	23	82	26	26	52
Millers & corn dealers	31	37	68	12	33	45	32	32	64
Milliners and artificial florists	35	64	99	34	73	107	33	67	100
Miners, colliers ..	46	1	47	47	4	51	57	1	58
Music sellers and publishers	5	6	11	8	11	19	5	8	13
Musical instrument makers and dealers..	10	24	34	9	14	23	10	6	16
Nurserymen, florists ..	23	18	41	18	13	31	13	19	32
Oilmen	10	18	28	4	20	24	13	22	35
Opticians	—	—	—	—	—	—	5	5	10
Pawnbrokers	7	15	22	4	8	12	8	9	17
Photographers	15	11	26	25	14	39	22	21	43
Plumbers, painters, gasfitters	116	158	274	164	178	342	150	155	305
Printers, stationers, engravers	65	96	161	60	107	167	69	90	159
Publicans	286	206	492	313	134	447	294	169	463
Saddlers, harness mkrs.	32	50	82	29	36	65	23	36	59
Shipwrights	2	2	4	—	—	—	—	2	2
Shoe and boot makers	105	190	295	101	176	277	98	131	229
Tailors	126	250	376	121	223	344	129	221	350
Timber d'l'rs & sawyers	20	35	55	23	31	54	31	31	62
Tobacconists	44	76	120	54	65	119	46	53	99
Toy and fancy dealers	13	23	36	16	22	38	9	19	28
Tradesmen's assistants	75	16	91	72	9	81	78	14	87
Undertakers	13	10	23	7	9	16	7	12	19
Miscellaneous	97	52	149	123	66	189	211	98	309
	4177	4504	8681	4315	4284	8599	4053	3970	8023

During the year 1906 there were 1,868 Limited Companies wound up, comprising :—

947 voluntary | 90 reconstruction
719 on account of liabilities | 112 under order from the Court.

In the Year	Number of Failures	Wholesale	Retail
1887	5,852	619	5,233
1888	9,217	1,008	8,209
1889	8,782	829	7,903
1890	7,876	894	6,982
1891	8,533	1,113	7,420
1892	9,609	1,139	8,470
1893	10,658	1,099	9,559
1894	10,507	1,093	9,414
1895	9,458	1,013	8,445
1896	8,843	919	7,924
1897	8,724	1,000	7,724
1898	8,895	1,020	7,875
1899	8,600	847	7,753
1900	9,224	922	8,302
1901	9,118	952	8,166
1902	8,821	864	7,957
1903	9,205	789	8,416
1904	10,240	883	9,357
1905	10,231	916	9,315
1906	9,515	869	8,646

The Profession in Scotland.

Glasgow Chartered Accountants Students' Society Dinner.

Ex-Solicitor-General and Accounting Profession.

THE eighth annual dinner under the auspices of the Glasgow Chartered Accountants Students' Society was held in the Grand Hotel, Glasgow, on the evening of Wednesday, the 12th December. In all respects the function was an unqualified success—there was a record attendance, thoroughly representative of the Society and the profession; several distinguished guests were also present, including the ex-Solicitor-General for Scotland, Mr. James Avon Clyde, K.C.; the oratory proved exceptionally interesting; while the musical and elocutionary part of the evening's entertainment was both novel and delightful. The duties of Chairman were admirably fulfilled by the Hon. President, John Mann, Junr., Esq. His rare enthusiasm, tact, and energy were in no small measure shared by a Committee, whose complete arrangements for the function met the unanimous and cordial approval of everyone present. Messrs. David Allan Hay (President), James A. French, and John M. MacEachern (Vice-Presidents) were croupiers. The Chairman was supported on the right by Mr. Clyde, K.C., and Messrs. John M. MacLeod, Wm. Shaw, John Wilson, Joseph Patrick, ex-City Treasurer Alexander Murray; and on the left by Messrs. J. A. Robertson-Durham (Hon. President Chartered Accountants Students' Society, Edinburgh), Thos. Jackson, Alexander Sloan, Ninian Glen, David Strathie, and T. A. Craig. Among others present were Messrs. John Girvan (President Glasgow Juridical Society), James Dalrymple (General Manager Glasgow Corporation Tramways), J. Shiels Alexander (President Chartered Accountants Students' Society, Edinburgh), A. Herbert Brown, Councillor Walter Nelson, Dr. W. B. J. Pollock, Messrs. G. B. L. Motherwell, W.S. (President Legal and Speculative Society), J. Allison, Junr. (Hon. Secretary), John MacAllister (Corresponding Secretary Glasgow Juridical Society), &c. &c.

In all, covers were laid for 152 gentlemen. After an excellent repast, the Chairman stated that he had been asked by the Secretary to mention that several apologies for absence had been received. These included an apology from the Lord Provost, Wm. Bilsland, Esq., as well as from, among others, Sir John Ure Primrose, Bart., Mr. Mann (President of the Institute), Colonel Reid, the Dean of the Faculty of Procurators; also from Mr. Geo. A. Touche, of London, and others. The Chairman added that his father (Mr. Mann, Senr.) was extremely disappointed at being unable to attend that evening, but the state of his health rendered it necessary that he should remain indoors at night.

On the motion of the Chairman "The King" was loyally and cordially pledged.

After a musical contribution by the Secretary (Mr. Allison), a varied toast list was entered upon.

The first, that of "The Institute," was proposed by Mr. James A. French. He said that the toast which he had the honour and privilege to submit that evening was the Institute of Accountants and Actuaries in Glasgow. Their dinners in past years had been well attended by the members of the Institute, but he thought he was safe in saying that never had they had so large a gathering as that night. (Applause.) Fortunately, it was not necessary for him to tell them what a Chartered Accountant was, but he thought they would allow him to tell them what he was not. There were two definitions which occurred to him—first, Lord Brougham's, "an accountant is a person who can give no better account of himself"—(laughter)—and, second, an eminent Glasgow lawyer's, "an accountant is a man who looks at books and sees nothing." (Laughter.) The Institute was not, however, composed of such men as these. (Hear, hear.) That accountancy, and particularly the branch of auditing, had an ancient origin he thought there could be no doubt. Mr. Pixley, who gave their opening lecture on the duties of auditors, had referred to early references to their profession to be found in Shakespeare. He (Mr. French) was inclined to think, however, that there was a reference made to the profession in the Acts of the Apostles. (Laughter.) In Chapter V. they read that young men "wound up" Ananias. (Loud laughter.) Proceeding, Mr. French said that the last fifty years had seen

both an expansion and consolidation of the profession. (Applause.) Commercial auditing, as they knew it to-day, had been practically built up in that time, and from being a luxury in their time it was now a necessity. He ventured to prophesy that the time would come when the business which was conducted without a proper audit would be deemed a commercial crime. (Hear, hear.) If one thing more than another had made progress in their profession during the last fifty years he thought he might say it was the great improvement made in stating the annual Balance Sheets of commercial concerns. (Applause.) Continuing, Mr. French said that the Glasgow Institute had borne its full share in making the profession what it was, and had produced, and was producing, men who were an ornament both to the profession and to it. (Applause.) After referring to the excellent papers that had been read at the various meetings of their Society, Mr. French said they all regretted that they had not their worthy President of the Institute, Mr. Mann, Senr., with them that evening. Mr. Mann, Senr., he added, was now the only survivor of the original members to whom the Royal Charter of Incorporation was granted in 1855. (Applause.) He thought Mr. Mann's venerable age was an excellent excuse for not being there that evening, but he hoped the Chairman would convey to his father their regret at his absence, and also the sincere and earnest hope that he would be long spared to see the fruit of his work in the Institute. (Applause.) He was confident that the work and influence of the profession would expand, and that in the shaping of the policy of that expansion he was certain a large share would be taken by the Glasgow Institute. (Applause.) He had great pleasure in proposing the toast and in joining it with the name of Mr. John Wilson, an esteemed Past-President and present auditor. (Applause.)

The proceedings having been varied by a song from Mr. R. O. Thomson,

Mr. John Wilson responded to the toast. He said he felt it a great honour to be called upon to respond to the toast of the Institute of Accountants and Actuaries in Glasgow. It was an honour which, as had been said, would have naturally fallen to the President, and he, as well as they, regretted his absence. When they elected Mr. Mann, Senr., to the office of the President of the Institute they knew that at his great age he could not be expected to turn out to a function of that kind. They were all very pleased, however, that Mr. Mann was still willing, and very well performed all the ordinary duties that fell to the President of the Institute. (Hear, hear.) Proceeding, Mr. Wilson said he had to thank Mr. French, and the company also—Mr. French for what he had said in proposing the toast, and the company for having received it so heartily. Mr. French had said a great deal which tended to show the important position to which the accountancy profession had attained. He (Mr. Wilson) thought that if he were to tell them about the number of accountants it would show that they had indeed attained to a very important position. When he joined the Institute in 1868 he thought there would not be more than about fifty to sixty members. Now, he believed he was correct in saying there were about 500 members of the Glasgow Institute alone. (Applause.) He almost thought that would be a sufficient number to do all the professional accounting in Scotland, with the assistance of all the able gentlemen whom he saw around him. (Laughter and applause.) Then they had in addition to that a Society of Chartered Accountants in Edinburgh, equally important with that in Glasgow. (Applause.) And then they had also a very important Society of Chartered Accountants in Aberdeen. (Applause.) When they thought of the members who belonged to all those various Societies they would see that there was a great deal of professional accountancy done in Scotland. (Applause.) Sometimes when he saw at the quarterly meetings another batch of new members coming up to be admitted to the Institute he wondered where they were all going to get work. (A voice: "Hear, hear," and laughter.) Really, however, with the growth of commerce throughout the world, and the complexities and intricacies that commerce had developed, there seemed to be work for them all. (Applause.) He was quite satisfied that each individual member of the profession now did as much work as individual members did in the early days that he had spoken of. Not only did they do as much work, but work that was of far more importance, and he ventured to say that it was better done from a professional point of view. (Hear, hear and applause.) Now, if the accountants, as a profession, were getting all that work, the question arose, Were they preparing themselves to do it, and doing it to the satisfaction of the public? He would answer that they were. (Applause.) He really thought that the education and the training of an accountant had developed nearly as much since the early days as the membership had grown. (Hear, hear.) Since the General Examining Board was formed—he thought in 1893—the standard of the examinations had been greatly raised. That Board, at the very first, started a high plane of examinations, and the standard had been steadily raised since, and it appeared that as the examinations were made stiffer and stiffer the more the young men came forward for membership to the accounting profession. (Laughter and applause.) These men thought, and so must their parents and guardians who were responsible for them, that there must be something very good to be gained after they had passed the examinations. He hoped they would all find that to be the case. (Laughter and applause.) But the steady increase in

the standard of the examinations, and the demand for it that came from the younger members of the profession, was, he thought, a very good sign. He had had time to have a look at the papers that were set before the candidates at the last examination, and really he would not like to have now to undergo an examination. (Laughter and applause.) However, the young men made very light of it, and some of them passed very easily; but the education of an accountant did not stop when the candidate had passed the examination, and when he had been admitted and was able to write the mystic letters "C.A." after his name. (Hear, hear.) Really, it was only by work and experience that one became qualified to perform the duties satisfactorily to the public who employed him. (Hear, hear and applause.) He thought that perhaps the most valuable quality in an accountant, and perhaps most valuable in any profession, was the quality of application. (Hear, hear.) He thought it was more valuable than mere cleverness. Cleverness might come, but he thought that application was a thing that by degrees, if they continued to exercise it, would build up and maintain a knowledge that would in course of time enable them to attain to a highly respectable position in their profession. (Applause.) He had to thank them all very heartily for having received so well the toast of the Institute. (Applause.)

Following a song by Mr. Gulliland,

The toast of "The Corporation of Glasgow" was proposed by Mr. J. A. Robertson-Durham, the Hon. President of the Edinburgh Chartered Accountants Students' Society. At the outset, Mr. Robertson-Durham asked to be allowed to thank the Glasgow Society on behalf of the Edinburgh Society for the great honour they had done them in asking him, as their Honorary President, to be present at that great dinner. (Applause.) He had been perfectly appalled at the magnitude of the entertainment provided. (Laughter.) He saw around him many fine students, and he saw many of the leading Chartered Accountants of Scotland, who for many years had occupied the foremost places in their profession. (Applause.) He had been wondering how it was that they were still "students," and he could only think that it was because they, like himself, found every day of their lives that they were learning something and that they had a great deal still to learn. (Hear, hear and applause.) In happy fashion Mr. Robertson-Durham thereafter referred more particularly to the city of Glasgow, and created hearty laughter by remarking that he had been in Glasgow on several occasions in his life, but he had always had the sort of feeling that a convicted poacher has. He had never in his life gone to Glasgow but the next day he was the subject of some inquiry as to "what he was doing in Glasgow yesterday." (Laughter.) After referring to several of the city's more outstanding municipal achievements, the speaker said that Glasgow was a magnificent field for the Chartered Accountant. They had some of the most splendid businesses in Glasgow that were to be found anywhere, and they in the poor, starved city in the east looked towards those in the west with envious eyes. (Laughter and applause.) He coupled the toast with the name of Mr. Walter Nelson, who at the last municipal election was returned to the Town Council as one of the representatives for an important ward. (Applause.)

In the course of an interesting reply, Councillor Nelson referred to the fact that one of their Society's members, Ex-Bailie Alexander Murray, had risen in the Town Council to the important position of City Treasurer, one of the highest offices next to that of Lord Provost—another honour that might yet be Mr. Murray's. (Applause.)

Mr. T. L. M'Clintock having entertained the company with a song,

The Chairman said he had now the very great privilege and honour of introducing Mr. J. A. Clyde to propose the toast of the evening.

A very cordial welcome was given the ex-Solicitor-General.

Mr. Clyde said that the toast which he had to commend to their acceptance was the toast not perhaps quite exactly of "their own good selves," but it was the Society that had brought them together that night. It was of the Society which constituted the bond of union between them, the toast of "The Glasgow Chartered Accountants Students' Society." (Applause.) He thought he might fairly say that in one respect at all events he had a qualification for the proposing of that toast which was unique among any of them. They were all of them men of figures—(laughter)—and if there was anything which one ought to admire more than another it was precisely the qualities and qualifications of which one was absolutely destitute. (Laughter.) And if capacity to handle—he would be quite candid and go further—the capacity to understand figures was characteristic of themselves and of the profession to which they belonged, he could assure them that he was singularly lacking in the power to share that qualification. (Laughter.) There were some people, other than poets, who were born to "lisp in numbers," and he had no doubt that when his good friend Mr. MacLeod occupied until a few years ago his sesquipedalian cradle—(laughter)—he delighted the ears of those who at the time were specially interested in him by his lisping in numbers. (Laughter.) Personally, however, he (Mr. Clyde) had never succeeded in lisping in numbers; he could not even lisp in numbers now—(laughter)—and it was because he was an admirer of such—as they all did admire those things that they co not do themselves—that he thought he had some re

able qualification for commending the toast of their Society, composed, as it was, of people who knew all about those things. (Laughter and applause.) There was once a Judge who explained to a jury that they must take the law from him. Why? He said, because he knew law and they didn't. Why did he know law? Why, of course, because he was paid to know the law and therefore he knew it. (Laughter.) Well (Mr. Clyde went on to say), he was not sure that that kind of reasoning was absolutely sound; at least there was a possibility of exceptions in exceptional cases. He was not paid to know anything about figures. He was paid to pretend to know about figures. (Loud laughter.) And they knew there were some of them—he would not say anything about himself—who really were remarkably good at pretending to know all about things when they didn't know at all. (Laughter.) But it was wonderful when they came to try their hand at it—it was really wonderful—with what a comparatively small smattering one could rub along and make a wonderfully decent show. But the fact remained, he was afraid, that if his ministry had lain among figures he would have been "stickit" long ago. (Laughter.) But would they allow him to say that he was much impressed by the vitality and the numbers of their Society. (Applause.) By the number of the members perhaps he was impressed most of all. When he saw so many there he must say he was surprised, and he confessed that he had been moved to some of those reflections to which his very good friend Mr. Wilson had given some impressions already. He would tell them what he would do. This was the age, this was the era for age limits. Put an age limit upon the profession. (Loud laughter.) Mind, however, he would not have them for all the world interfere with the budding professional prospects of such a mere stripling as his good friend Mr. Wilson. (Laughter.) There were some people, however, who had the secret of perennial youth. May Mr. Wilson preserve his secret for very very long. (Applause.) But there was another kind of member among them. He was rather struck by the number of people—and some of themselves—who put the word "junior" after their names. (Laughter.) He was rather suspicious of that. He began to think that in the west, at all events, they really were centenarians masquerading as young men. He commended to their attention accordingly the instances of such persons as their worthy Chairman himself. (Laughter.) They should inquire into it, if he was not one of those people to whom the age limit would not be applicable. (Laughter.) But there were many overstocked professions, and he supposed that if theirs was overstocked, or likely to be so, he supposed at least the same might be said of his own. But they knew that there was this about their relations to him and his relations to them. They were each on very friendly terms. (Applause.) They (the legal profession) never could get on without them—they always found out that before they had gone very far and—well, they (the accountants) found out that the legal profession were a bit handy too; and accordingly, overstocked though they might be, they had a fair chance of rubbing along together. (Hear, hear and applause.) He remembered—he would not tell them how many years ago it was, it might reveal some of those secrets as to his centenarian qualifications which their Chairman was most anxious to conceal—he remembered some years ago having to do with a case in which he appeared as an engineer—at least he knew all about engineering for the time being. (Laughter.) It had to do with the design of grates and cooking stoves. He remembered they had a most attractive name. There was the "Bee" for the first, the "Beaton" for the second, and the "Beatonette" for the third. They were discussing a question about the appearance or design. He found out that he could not get on without acquaintance with practical details. Subsequently he went to Mr. Mann, who told him he would hunt up what was required. Afterwards he told him that he had spent the whole night in an uncomfortable Edinburgh Hotel, with a wet towel tied round his forehead, endeavouring to get him (Mr. Clyde) the useful information all about the "Bee," the "Beaton," and the "Beatonette." (Loud laughter.) It was only fair to say that if he was appearing as an engineer he was really and completely eclipsed by the ingenuity of the accountant. (Laughter and applause.) For although it was true that they won their case, he put the credit candidly and at once entirely to the credit of their Chairman. Accordingly he thought they had a fair chance of rubbing along together. (Applause.) Proceeding, Mr. Clyde said he wanted just for a moment to say a little in more serious vein. He had no claim to centenarian qualifications—just yet—but he had seen enough of practical business in his own profession to know this—that although the strictly educational part of their preliminary career might endow them with qualifications of indispensable training, they really began to learn their business when they began to practise it. (Hear, hear.) It was all very well to believe in influence from books, and it was all very well to acquire a sound knowledge of abstract principles, but there was all the difference in the world between knowing their books and being able to state their principles and the faculty of applying them in actual practice. (Hear, hear.) It was not until their mind had—by he could not tell them what secret process—until their mind had got the faculty of automatically throwing the material into the rays of light which should be brought to reflect upon their work—it was not until they had acquired that dexterity they could be said to know anything about their business. And what

occurred to him to say to them in that regard that night was this: That if he was not mistaken the function of a Society such as that to which they belonged, and to whose prosperity and welfare he was going to ask them to drink —the main function of a Society such as that was that it operated for them, as students, as a bridge between the purely technical part of their training—that which acquainted them with book learning and principles—and that part of it which had to do with the living business of commerce and the living affairs of life. (Hear, hear.) If there was anything which was important in that connection, he thought it was that they should come into direct personal and social contact with the men with whom their professional business was going to bring them in contact with at professional arm's length when the time comes. How were people to conduct their business as gentlemen should if there did not exist between them that kind of mutual knowledge and mutual confidence which sprang from personal intercourse. (Hear, hear.) The fact was that the difference between professional business and a great deal of ordinary commercial business lay precisely in that secret—the secret that professional people, after all, if they were to conduct business with each other, must have confidence in the professional integrity of their brethren. (Applause.) They must have that to an extent and degree which was impossible in ordinary commercial business, and which, if it was not present in their (the accountants') professional business, their clients did not really get the full benefits of their service. (Hear, hear.) He noticed that among other means of promoting social intercourse among their members they resorted to the admirable, if old-fashioned, system of listening to papers and of debating questions. He supposed that all of them had been members of debating societies in their day. He could tell them frankly that he looked back to some of those occasions where they met to debate problems, public or private, literary or political. It was there in those rooms, with their uncarpeted floors, that ideas clashed; it was there that one came to respect other people's opinions, which was half the art of life. (Applause.) It had therefore occurred to him that they might introduce perhaps a wider range of subjects among their debates. He did not make the suggestion very seriously, but, after all, they had got all sorts of members in their Society. There was, for example, his friend Mr. Patrick. Mr. Patrick was one of the best fellows he knew. (Hear, hear and laughter.) He had got one very grave fault, and he therefore suggested that, having reference to that grave fault, they should ask him in their next session to read them a paper, and he suggested as the subject of that paper, "A Tax on Bachelors"—(loud laughter and hear, hear)—with special reference to the incidence of the tax on the other sex. (Hear, hear.) But he would give Mr. Patrick a chance, and in the small interval allow him to take up the position in which it would no longer be appropriate to ask him to read that paper. (Laughter.) Well, he would now pass from the question of their debates also, and would say in conclusion something about another aspect of the relation into which their profession and his own had been cast. It was only natural that they should help each other, and they were very much given to attacking each other, but they were none the less good friends upon that account. (Laughter.) They had the misfortune or the fortune of appearing in the witness-box knowing all about it. They (the legal profession) had the fortune or the misfortune of cross-examining them, knowing nothing at all about it. (Laughter.) What he wanted to say to them therefore was this: Some of them, he believed, were under the impression that the man in his war-paint who was not in the witness-box was sometimes disposed to be a little hard. Let them disabuse themselves of any such notion. (Laughter.) Remember that when they went into the witness-box they did not go there as witnesses to matters of fact; they went very essentially and really as witnesses to matters of opinion, and, as there were always two opinions, when they found themselves in the witness-box they were not to be disturbed, for the legal representative was not the savage fellow which perhaps his manner might suggest to them. He was a much more harmless fellow than they really at times, at all events, were disposed to think; in fact, he was not a half-bad fellow at all. (Laughter and applause.) Would they let him tell them something else? He (the legal representative) did not think anything the less of them. (Hear, hear.) He knew his difficulties himself perfectly well; and he (the speaker) could assure them that the agent was by no means unaware of what their (the witnesses') difficulties were also. They (the agents) by no means always got the best of it. He remembered not very long ago a King's Counsel in Edinburgh was examining an accountant—of course, in the witness-box—and the matter in hand rendered very important a certain question of figures—figures having reference to something which was either per hour, or mile, or ton. It was a very important figure indeed, "per" the right thing, and there had been a great deal of cross-examining about it. The accountant was a very smart fellow, and he was not going to give that figure away if he could help it. After a great deal of struggling and a great deal of fencing the figure dropped out, but it dropped out only as a figure, the figure being 18. The cross-examining counsel, hopeful that at last the goal was in view, said, "Yes, what did you say?" "Eighteen," replied the witness. "Yes, eighteen," remarked the agent, "eighteen, was it, and was it eighteen per?" "Yes, it was eighteen," quietly responded the witness. "Oh, yes, yes, eighteen, but eighteen per," again ventured the counsel.

"Eighteen per—haps, if you like," retorted the witness. (Loud laughter.) And, added Mr. Clyde, he was bound to tell them that it was absolutely impossible to extract from that witness "per" what. (Laughter and applause.) They might see that those tussles in the witness-box meant nothing more than, after all, the problems of the clumsy machinery which even justice had to use in arriving at facts and probing opinions. (Hear, hear, and applause.) But he thought he ought not to detain them any further in commending to their acceptance a toast which really and truly, like good wine, needed no bush. (Applause.) Without more ado he therefore asked them to drink to the prosperity and the long-continued existence of the Society to which they all belonged, and whose hospitality brought him to that board. (Applause.) He had pleasure also in coupling the toast with the name of Mr. David Allan Hay. (Applause.)

Another song having been rendered, by Mr. Rankine,

An interesting reply to the toast of the evening was made by the President, Mr. Hay. He felt it a very great honour, he said, to occupy the position of President of the Society, and to have the privilege on that occasion of responding to that toast. He thought, in the first place, that he must on their behalf thank Mr. Clyde very warmly for his most eloquent address, and the most inspiring enthusiasm which he had displayed with regard to their Society. (Applause.) Mr. Clyde had done them a very considerable honour in coming there that night, and he had done them additional honour in speaking so enthusiastically of the future and of the work which the Society had accomplished. (Applause.) He could only say, however, that Mr. Clyde's remarks about their present success must be taken *cum grano salis*, for he thought that their love of what Mr. Winston Churchill might call "terminological exactitude" prevented them claiming the high position which he (Mr. Clyde) had ascribed to them. (Laughter.) A previous speaker had referred to the antiquity of their profession, and had tried to fix for them the date of the appointment of the first trustee in bankruptcy. But he (the speaker) thought he could point to an even earlier Scriptural instance which might serve to show the antiquity of their profession and also serve to show their love and their knowledge of Scriptural lore. (Laughter.) He supposed that Solomon was responsible for the statement which appeared in the Book of Proverbs, that "a false balance is an abomination to the Lord." (Loud laughter and applause.) But while they as a Society could make no claim to antiquity, nor yet profess to the wisdom of Solomon, yet they could claim, he thought, to a very fair record of useful work. (Hear, hear.) Their Society was only some eight years old, and yet in that short time they had surmounted the initial difficulties and passed the experimental stage. He thought, too, that their work in the profession in Glasgow was now recognised. (Applause.) They were recognised, he thought, not only by the members of the Institute, but also by the headquarters of the Institute—namely, the Council. He wished to take that opportunity of thanking the Council, as they had been thanked in the past, for the financial grant they had given to their Society —(applause)—and not only for that grant, but for a recognition which he thought they valued even more, and that was the opportunity which they (the Council) had given them of representation on one of the Committees of the Institute. (Applause.) The Committee which he had referred to was the one which dealt with the tutorial classes for the examinations. To that Committee was also referred questions dealing with the training and education of apprentices. They had many serious and far-reaching questions referred to them, and he hoped that the Council would see their way to continue this privilege to the Society and allow them to continue to take a part in the moulding of the schemes in connection with the profession. (Applause.) They as a Society were peculiarly fitted to take part in that work, because, if he might say so, they were fresh from the irons; in fact, some of them bore the marks of the burning still. (Laughter.) Yet certainly the work that was being done there—although they were only privileged to take a small part in it—might have a far-reaching and very beneficial influence on the future of the profession. They looked round and saw that in England the two great Societies were endeavouring to arrive at a mutual understanding, and that one of the schemes which was before the accounting profession generally was the question of the registration of accountants. (Hear, hear.) They saw also that in Glasgow the question of the institution of a Faculty of Commerce in connection with the University was taking at last a more formal shape, and he hoped that that might at no far distant future be an accomplished fact. (Hear, hear and applause.) He fully believed that as time went on the conditions and the sphere of the work of their Society might change; but he thought he could assure the Council of the Institute that as changing conditions arose their Students' Society would do its utmost to meet those changing conditions and loyally support the Institute in the work to which it had set its hand. (Applause.) Mr. Clyde had referred to the advisability of securing some of the senior members of the Institute to read papers to them, and he had spoken of Mr. Patrick in particular. He, however, hoped that that hope which had been expressed with regard to Mr. Patrick would not soon become a realised fact. (Hear, hear and laughter.) He recalled speaking to a member of a former Society in connection with their profession. It was not exactly a Students' Society, but a Debating Society. In reply to a question as to why the

Society died, he said, "Well, I rather think a few of us got married." (Laughter.) With regard to Mr. Clyde's suggestion as to "roping in," so to speak, the senior members of the profession, from whom they as a Society expected so much, he might tell them that their experience had not always been entirely satsfactory. They had approached many of the distinguished ornaments of their profession in Glasgow, and found, to their intense surprise, men who had been seized with the most sudden access of modesty and who deprecated any suggestion as to their ability, and they had added that really, after all, they (the students) had much better discuss those things among themselves. (Laughter.) He thought that the excuses which he had received from various members of the profession might, by comparison with the excuses made by those bidden to the feast in the parable, make these seem almost plausible. (Laughter.) He wanted to make that statement that evening, seeing there were so many senior members of the profession present with them, and he hoped that when it fell to the lot of the next President of the Society, or to the next Secretary, to go round and deal with those men personally—in their own offices—(laughter)—that they would not put forward those modest excuses, and that they would learn that they (the students) did not ask them unless they felt that they were able to impart knowledge which might be useful to others. (Laughter and hear, hear.) Proceeding, Mr. Hay said he should be wanting in common courtesy if he did not acknowledge—in the measure of success which had attended their efforts—the inestimable services which their Honorary Presidents from time to time had rendered to them through their influence with the Council of the Institute and with the senior members of the profession. (Applause.) He was glad to see present that evening all the Honorary Presidents which the Society had boasted of. (Applause.) They were glad to think also that they had in their present Honorary President a gentleman who was continuing those high ideals, and who was continuing to serve as his predecessors had done, greatly to the benefit and greatly to the success of the Society. (Applause.) He looked forward with confidence to the future of the Society, and that confidence was greatly increased by the hearty and enthusiastic manner in which they had received that toast. (Applause.)

A delightful variety was afterwards introduced by Mr. R. J. MacLennan, who gave an amusing and original elocutionary sketch, which, together with a similarly "pawky" contribution rendered later, was keenly enjoyed.

"Our Guests" was the next toast, and was submitted in able and happy terms by Mr. John M. MacLeod. At the outset he expressed regret that Mr. Robertson-Durham had had to leave to catch his train. They had all very much appreciated his presence and enjoyed his remarks. With regard to Mr. Clyde, he was certainly the most eminent member of the Scottish Bar at the present time. (Applause.) They all knew that Mr. Clyde did not touch anything which he did not adorn, and that, combined with his mental grasp and his acumen, together with his grace of manner and courtesy, made him appreciated by every person with whom he came in contact. He hoped he would allow him to say that Mr. Clyde held a unique position, and he was told that it was more illustrious than that of any man at his age at any known time. (Applause.) With reference to Mr. J. Shiels Alexander, he would ask him to carry back to his colleagues and friends in Edinburgh their heartiest and their best wishes. (Applause.) Reference was also made to the presence of Mr. Wm. Shaw, Mr. John Girvan, Mr. G. B. L. Motherwell, W.S., and Mr. John MacAllister, Mr. MacLeod concluding by assuring Mr. Clyde that the Society would never forget his great kindness at coming and speaking to them that night. (Applause.)

Mr. Clyde, in reply, said he could not help, in the few words he proposed to address to them, commencing with what was a personal note. He by no means deserved the encomium which it had pleased Mr. MacLeod to pronounce upon him. He had done nothing, but if he had any merits it was due to the fact that he had not hesitated to work hard. (Applause.) They knew, he thought, it was Carlyle who said that "genius was nothing in the world compared with taking infinite pains." He (Mr. Clyde) had no pretence to be a genius, but he had never hesitated and never spared the taking of pains. (Hear, hear and applause.) He was well satisfied of this, that they, and all of them, whatever they were, if they did not spare themselves and took plenty of pains they would mount very high, and at all events they would have their definite and certain reward. (Applause.) There was, after all, a limit to one's power of thanks; nevertheless, they had his in full measure. He, however, was only one of the galaxy of the guests who had enjoyed their hospitality, and on their behalf also he would like to return in the warmest of possible tones their heartfelt thanks. (Applause.) It was on the young men, of course, that the future rested, and it was for them as members of that Students' Society to see that they quitted themselves like men. (Applause.) If he were to judge from the appearance of their Society, then there was every promise of the adequate discharge of duty by themselves, and on behalf of their guests he could assure them that they deeply appreciated their kindness and their warm and generous sentiments, and they appreciated very highly the honour they had done them in asking them as guests to be present at their dinner that evening. (Applause.)

Mr. John M. MacEachern afterwards submitted the last of the toasts, that of "The Chairman, Mr. John Mann,

Junr." He referred to the deep practical interest that Mr. Mann had taken in the Society, adding that, in no small measure, to his able advice and willing help was due the success of the Society. (Applause.)

Amid the singing of "He's a Jolly Good Fellow" Mr. Mann, Junr., rose to reply. It had been, he said, a great privilege and honour to preside that evening. He spoke with all sincerity when he said he addressed them with somewhat mixed feelings. He was a "junior"—he could not deny that soft impeachment; and he knew it was their unanimous wish that he might long remain a junior. (Hear, hear and applause.) Mr. Mann referred to the absence of his father—the sole surviving original member of the Institute—and assured the Society that Mr. Mann, Senr., was still keenly interested in its welfare. That large gathering that night, the Chairman went on to say, was an indication of how much further they would go. The Society was not going to stop—it was only beginning its work. (Applause.) It had shown to the Institute how it could be done by a gathering of that kind, and he heartily re-echoed what Mr. Clyde impressed upon them in such eloquent words that the social side of their professional work was one which it behoved them all to encourage to the utmost and to develop. (Applause.) He trusted that in an increasing measure the Society would be supported, and in conclusion referred to the efforts of the Committee who were responsible for the success of that evening's function.

The company, before dispersing, joined in singing "Auld Lang Syne."

Personal.

The copartnership of Macmillan & McBain, C.A., 163 Hope Street, Glasgow, of which Hugh Macmillan and James Cowan McBain were sole partners, has been dissolved. Mr. Hugh Macmillan will continue business on his own account within the same office, and will collect all debts due to and discharge all debts due by the dissolved firm. Mr. James Cowan McBain will continue business on his own account in other chambers at 163 Hope Street.

Mr. Hugh Blair, Chartered Accountant, aged 61, of 15 Randolph Crescent, Edinburgh, and of Radella, North Berwick, of the firm of Macandrew & Blair, left personal estate valued at £55,971.

It is intimated that the firm of Drummonds, Martin & Co., Chartered Accountants, 15 Queen Street, Edinburgh, was dissolved by order of the Court of Session on 11th July 1905, and that on the 17th November 1906, Mr John Scott Tait, Chartered Accountant, 3 Albyn Place, Edinburgh, was appointed judicial factor for the purpose of winding-up the affairs of the firm and dividing the proceeds.

Scottish General Examining Board.

The results of the recent half-yearly examination of candidates by the General Examining Board for Scottish Chartered Accountants have now been announced, and are as follows:—

Preliminary Examination:—55 passed, 23 failed, 19 candidates obtained exemption on production of certificates of the Scotch Education Department or other equivalent certificates.

Intermediate Examination:—36 passed, 48 failed.

Final Examination:—41 passed or completed the examination, 17 passed in the first division only, one in the second division only, and 41 failed.

THE following is the list of successful candidates:—

Final Examination.—William Anderson, 4 Murieston Road, Edinburgh; George Albert John Barron, 17 St. Bride's Road, Egremont, Cheshire; John Boyd, Junr. (Thomson, Jackson, Gourlay & Taylor), 24 George Square, Glasgow; George Slimman Burden, 2 Windsor Terrace, Dundee; John Findlay Carson (Moores, Carson & Watson), 209 West George Street, Glasgow; Thomas Cormack (Brown, Fleming & Murray), 175 West George Street, Glasgow; George Morton Cotton (Howden & Malleson), 8 York Place, Edinburgh; James Graham Cram, 16 Euclid Crescent, Dundee; Richard Sydney Field (Dunn & Todd), 166 Buchanan Street, Glasgow; John Ronald Fleming (A. T. Hunter), 66 Frederick Street, Edinburgh; John David Gatheral (T. A. Craig), 139 St. Vincent Street, Glasgow; William Guthrie, Reid's Villas, Stevenston, Ayrshire; David Henderson (John E. Watson & Son), 149 St. Vincent Street, Glasgow; Malcolm Henderson (Thomson, Jackson, Gourlay & Taylor), 24 George Square, Glasgow; John Henry (McLay, McAlister & McGibbon), 94 Hope Street, Glasgow; David Arthur Houston (McFarlane, Hutton & Patrick), 203 West George Street, Glasgow); George Halcombe Lawrence, 17 Windsor Street, Edinburgh; James Pritchard Lewis (Macdonald, Stewart & Stewart), 116 Hope Street, Glasgow; Thomas Alexander Mackenzie, 24 St. Andrew Square, Edinburgh; Robert Murray Meikle, 64 Queen Street, Edinburgh; Thomas Crombie Mellis (Thomson, McLintock & Co.), 149 West George Street, Glasgow; Arthur David Prentice Miller (John Mann & Son), 142 St. Vincent Street, Glasgow; James Brown McLeod (Grahams & Co.), 212 West George Street, Glasgow;

William Alexander Mitchell Murray (Brown, Fleming & Murray), 175 West George Street, Glasgow; Thomas Nicol, 8 Glen Eldon Road, St. Anne's-on-the-Sea; William Alexander Ogg, 77 Abergeldie Road, Aberdeen; John Peacock (Mitchell & Smith), 59 St. Vincent Street, Glasgow; Charles Thomas Fitzgerald Pearson, 12 Eton Terrace, Edinburgh; George Alexander Reid (Moody, Stuart & Robertson), 22 Meadowside, Dundee; James Fleming Robertson, 59 Marchmont Road, Edinburgh; Laurence Hope Robertson (Robertson & Brown), 59 St. Vincent Street, Glasgow; Edgar Christian Salvesen, 58 Bath Street, Glasgow; Thomson Scott (J. B. Rennett), 81 Union Street, Aberdeen; William Selkirk (Macdonald, Stewart & Stewart), 116 Hope Street, Glasgow; Andrew James Smail, 28 Shandon Crescent, Edinburgh; Arthur John Smith, 22 Meadowside, Dundee; Ronald Edward Smith, Rhuemore, Murrayfield; John Dick White Spence (Hamilton & Macgregor), 34 York Place, Edinburgh; Charles Stewart (David Don), 104 Commercial Street, Dundee; James Frederick Stirling (T. & G. B. McKim & Cook), 149 St. Vincent Street, Glasgow; John Smith Wells, 11 Duke Street, Edinburgh.

Intermediate Examination.—James Anderson (Adam Kerr), 154 St. Vincent Street, Glasgow; Robert Bell (Walker & White), 30 St. Andrew Square, Edinburgh; David Buchanan, Junr. (McLay, McAllister & McGibbon). 94 Hope Street, Glasgow; Sidney Morris Cannon (Whyte & Williamson), 156 Union Street, Aberdeen; James Houston Cassels (Reid & Mair), 40 St. Vincent Place, Glasgow; James Bennet Chisholm, 23 Thistle Street, Edinburgh; James Thompson Cook (John Mann & Son), 142 St. Vincent Street, Glasgow; William Coupar, 24 St. Andrew Square, Edinburgh; Frederick Thom Coutts, 24 St. Andrew Square, Edinburgh; Archibald Hay Craig, 6 North St. David Street, Edinburgh; Norman William Duthie (Hourston & McFarlane), 112 Wellington Street, Glasgow; David James Ferguson (Stephen M. Rae) 33 Commercial Street, Dundee; Donald Brotchie Forbes (Paterson & Benzie), 121 St. Vincent Street, Glasgow; Robert Ford (Thomson, Jackson, Gourlay & Taylor) 24 George Square, Glasgow; James Cruden Gray. Springbank, Broughty Ferry; Bernard Heyburn (G. A. Touche & Co.), Basildon House, Moorgate Street, London, E.C.; George Ingles, 18 St. Andrew Square. Edinburgh; Robert Smith Kirkland (Mackie & Clark) 124 St. Vincent Street, Glasgow; Robert John Lya' (Greenhill & Clapperton), 6A George Street, Edinburgh; Garden Smith Menzies (James Milne & Co.), 160 Union Street, Aberdeen; Alexander Horsburgh Merriles. 17 Archibald Place, Edinburgh; Dugald Stuart McGregor (Walter & W. B. Galbraith), 87 St. Vincent Street, Glasgow; William David McGregor (Moores, Carson & Watson), 209 West George Street, Glasgow; Thomas Adair Mackie (Moore & Chrystal), 219 St. Vincent Street, Glasgow; Arthur Lang McKillop (Grahams & Co.) 212 West George Street, Glasgow; James Martin Mactaggart (John Parker & Son), 89 West Regent Street, Glasgow; John Pirie (Davidson, Workman & Gilchrist), 190 West George Street, Glasgow; Alexander Reid (Munro & Norton), 20 Lawrence Lane, London, E.C.; Thomas Mayne Reid (Walter & W. B. Galbraith), 87 St. Vincent Street, Glasgow; Charles Frederick Ritchie, 11 Reform Street, Dundee; Allan Brown Stewart (McOmish & Arthur), 79 West Regent Street, Glasgow; William Dunbar Taylor (Chiene & Tait), 3 Albyn Place, Edinburgh; John George Thomson (Walker & Marwick), 163 Hope Street, Glasgow; Alexander Wallace (T. & G. Rorie), 13 Albert Square, Dundee; David Wilson (Aitken & Ramsay), 65 Bath Street, Glasgow; James Wood, 33 Charlotte Square, Edinburgh.

Preliminary Examination.—James Anderson, 8 Buchanan Terrace, Paisley; John Bryce Barr (Wilson & Nelson), 135 Wellington Street, Glasgow; George Barran, Clifton Bank, Dalkeith Road, Dundee; James Allan Gray Bishop, 30 York Place, Edinburgh; James Bremner, 6 Cobden Road, Edinburgh; Robert Rainie Brewis, Killiney, Colinton; John Cameron, 51 St. Vincent Crescent, Glasgow; Charles Russell Stewart Chedburn, 4 King's Gate, Aberdeen; Richard Dinwoodie (P. G. Irvine), 144 St. Vincent Street, Glasgow; Robert Preston Donaldson, Hawthorn Bank, York Road, Trinity; Hugh Steel Murdoch Duncan (Ferguson & Vost), 108 Hope Street, Glasgow; Daniel Abernethy Dunn (Gibson & Anderson), 124 St. Vincent Street, Glasgow; Alexander William Elmslie, 96 Fountainhall Road, Aberdeen; Joseph Esterson, 142 St. George's Road, Glasgow; James Flett (Hardie & Rowan), 13 Hamilton Street, Greenock; James Crichton Fraser, 18 Park Road, Leith; David Scotland Fyfe (Carswell, Murray & Lauder), 60 St. Vincent Street, Glasgow; Arthur Gilmour (Alexander Arthur), 40 West Nile Street, Glasgow; John Graham Girdwood (J. Wyllie, Guild & Scott), 116 Hope Street, Glasgow; George William Harvey (Rankin & Milwain), 133 St. Vincent Street, Glasgow; George Grant Hogg (Nairn, Bowes & Craig), 203 West George Street, Glasgow; Joseph Johnson, Junr., Tweed Villa, Buchanan Drive, Cambuslang; Laurance Arthur Ker, 6 Belgrave Terrace, Glasgow; James Lillie, 3 Albany Street, Edinburgh; Alexander Taylor Logan (Thomson & Jackson), 33 Renfield Street, Glasgow; Reginald Ross Marshall (A. Herbert Brown), 180 Hope Street, Glasgow; Sidney Howard Mearns, 81 Cairnfield Place, Aberdeen; Stanley Gemmell Millar (Macdonald, Stewart & Stewart), 116 Hope Street, Glasgow; Robert Goldie Miller (Paterson & Benzie),

121 St. Vincent Street, Glasgow; James Robertson Milne, Heathcote, Juniper Green; James MacLean Muir (Hardie & Grieve), 157 St. Vincent Street, Glasgow; Alexander Monro (James Meston & Co.), 6 Golden Square, Aberdeen; Duncan McDonald (William McCallum), 128 Hope Street, Glasgow; William McDougall, 156 Hyndland Road, Kelvinside, W. Glasgow; Andrew Kenneth MacEwan, Allan Park Lodge, Stirling; Roderick MacLennan, Eversley, Beaufort Road, Inverness; John McLeod (Dunlop & Murray), 188 St. Vincent Street, Glasgow; William Rigg McMenan, Kilmarnock House, Kilmarnock; Hector Loring McNeill (McClelland, Ker & Co.), 115 St. Vincent Street, Glasgow; Aubrey O'Hanlon, 38 Madeira Street, Leith; William Osborne, Junr., 58 Eglinton Street, Beith; Robert John Ritchie Paterson (Turner & Houston), 173 St. Vincent Street, Glasgow; Gilbert Duncan Ritchie, Viewbank, Dudhope Terrace, Dundee; Arthur Lockhart Robertson, 14 Braid Crescent, Edinburgh; David Brown Robertson (Walter & Marwick), 163 Hope Street, Glasgow; Alfred Eaton Robinson, 34 Burnbank Gardens, Glasgow; David Liddell Rossini (Thomas M. Campbell), 225 St. Vincent Street, Glasgow; Alfred Smibert (Hodge & Smith), 14 Queen Street, Edinburgh; Thomas Stirling, North Bank, Colston, Bishopbriggs; William Wallace, 368 Main Street, Bridgeton, Glasgow; Robert Haddow Weir, Fauldhead, Woodilee, Lenzie, near Glasgow; George Sydney West, 27 Broomhill Terrace, Partick, W. Glasgow.

The following were held exempt from the Preliminary Examination on production of certificates of the Scottish Education Department, or other equivalent certificates:—James Charteris Burleigh (Rankin & Milwain), 133 St. Vincent Street, Glasgow; William Crawford Currie (David Strathie & Co.), 162 St. Vincent Street, Glasgow; James Orr Galloway (Grahams & Co.), 212 West George Street, Glasgow; William Glendinning (McLean, Brodie & Forgie), 22 Renfield Street, Glasgow; Charles George Anderson Gordon (McLean, Brodie & Forgie), 22 Renfield Street, Glasgow; John Grant (Thomson, Jackson, Gourlay & Taylor), 24 George Square, Glasgow; Edward McDowall Scott Houston (Paterson, Newlands & Co.), 105 West George Street, Glasgow; Archibald George Auldjo Jamieson (Lindsay, Jamieson & Haldane), 24 St. Andrew Square, Edinburgh; Thomas Johnstone (Aikman & Glen), 107 St. Vincent Street, Glasgow; Douglas Keith (Mackay, Irons & Co.), 22 Meadowside, Dundee; Hugh Muir Lawson (Findlay, Kidston & Goff), 102 Hope Street, Glasgow; Herbert Lodge (McClelland, Ker & Co.), 115 St. Vincent Street, Glasgow; Arthur Patrick Love (McFarlane, Hutton & Patrick), 203 West George Street, Glasgow; Frank Walter McDowall (George B. McKean), 141 St. Vincent Street, Glasgow; Robert McNae (Robert Hemphill), Johannesburg, Transvaal Colony, South Africa; Robert C. Ross, Aberdeen; George Brown Service (Brodie & McMorland), 156 St. Vincent Street, Glasgow; Thomas William Torrance (William Martin), 3 Clifton Terrace, Edinburgh; Fergus Smith Wilson (R. F. Cameron), 1 Exchange Place, Inverness.

The Accountant of Court's Report.

The report by the Accountant of Court (Mr. J. Campbell Penney) to the Lord President, the Lord Justice-Clerk, and the other Judges of the Court of Session, on the state of judicial factories, sequestrations, and cessios falling under his supervision, in compliance with the 18th Section of the Judicial Factors (Scotland) Act, 1849, and the 160th Section of the Bankruptcy (Scotland) Act, 1856, from 31st December 1904 to 31st December 1905, has been issued.

During the year there were lodged in his office:—59 bank consignation receipts, for sums amounting in all to £172,842 19s. 5d.; 94 bonds under the Judicial Factors (Scotland) Act, 1849; 8 bonds under the Bankruptcy Act, 1856 (Section 164); 149 bonds under the Judicial Factors (Scotland) Act, 1880; 77 bonds under the Judicial Factors (Scotland) Act, 1889; 9 other cautionary bonds. *Note.*—Of the 396 bonds lodged, 136 were by guarantee companies. Five inventories of estates under the Guardianship of Infants Act, 1886; and 3 applications by testamentary trustees for supervision of their accounts under order of the Court. During the year the Accountant had before him, under remit from the Court, 235 applications for discharge of judicial factors, and 2 special remits, and he reported on 91 applications for special powers and 76 applications for restriction of caution. The number of factory accounts audited and reported on was 2,052. The value of the moveable property under the Accountant's supervision amounts to £5,640,516, and the heritage at an average of, say, 22½ years' purchase, £3,603,419, a total of £9,243,935.

There are 21 testamentary estates supervised by the Accountant, and the funds exceed £1,940,000. During the year £46,395 19s. 3d. of consignations have been uplifted by orders of the Court, and at 31st December 1905 there were 102 consignation receipts in the Accountant's custody, amounting in all to £132,638 12s. 10d. In terms of the Court of Session Consignation Act, 1895, there have been handed over to the King's Remembrancer during the year consignation receipts for sums amounting to £199 5s. 3d., making the total amount paid to Exchequer (including the balance of funds in hand in 1899) £46,059 2s. 2d.

He further reports that there were 278 sequestrations awarded during 1905, and 8 reopened, while 275 were wound

up, and that the number in dependence at 31st December 1905 was 3,952. In the sequestrations wound up during the year the gross receipts amounted to £311,491, and the debts to £821,092. The Accountant concurred in 15 sales of heritable property by private bargain, and made 53 special reports on applications for discharge. Discharges were granted to 246 trustees and 112 bankrupts. The amount of consignations in bankruptcy cases in the Accountants' custody at 31st December 1905 was £4,669 17s. 3d. There was consigned during the year £599 15s. 3d.; uplifted, £9 2s. 8d.; and handed over to the King's and Lord Treasurer's Remembrancer, £1,535 10s. 9d. (making the total amount paid to Exchequer £7,254 9s. 8d.)

The number of cessios reported to the Accountant during 1905 was 159. In the 77 cessios wound up by division of funds during the year the gross receipts amounted to £10,701, and the debts to £28,021. The Accountant granted 116 certificates of discharge, and made 16 special reports.

Obituary.

The death took place of Mr. George Harry Rimer, C.A., at 28 Summerland Mansions, Muswell Hill, on the 19th ult., at the age of 53 years. He joined the Edinburgh Society of Accountants in 1889.

The Profession in Ireland.

Belfast Society of Chartered Accountants.

For some time there has been a feeling among the Chartered Accountants of Belfast that something should be done to provide facilities for accountant students by asssisting them in their studies, and also to bring the members of the profession into closer touch with each other for the discussion of professional subjects, the promotion of personal acquaintance, and uniformity of practice.

The great majority of Chartered Accountants of Belfast are members of the Institute of Chartered Accountants in Ireland, and with the growth of that city they now constitute more than 50 per cent. of that Institute. The Institute has its head-quarters in Dublin, where a library exists, but distance prevents this being of use to the bulk of the members resident in Belfast.

Under these circumstances a movement was set on foot about the middle of 1906 to form a Belfast Society of Chartered Accountants, and on representation being made to the Institute in Dublin a substantial grant was most kindly voted from its funds towards this purpose.

On 4th December 1906 a meeting of Chartered Accountants and students was held, when rules were adopted, and the Society constituted.

A regular meeting of the Society was held on the evening of 3rd January 1907, in Kingscourt, Wellington Place.

At this meeting, which was well attended, it was reported that the great majority of the Chartered Accountants and students in Belfast had signified their intention of joining under the rules which had been drawn up. The rules provide that the Belfast members of the Council of the Irish Institute shall be *ex-officio* members of the Committee of the Belfast Society, and that to them shall be added an equal number of Belfast Chartered Accountants.

One peculiarity of this Society is that its rules permit of members of any body of Chartered Accountants in the United Kingdom joining.

The following were duly elected Office Bearers and Committee for the year 1907:—

Chairman—Martin Shaw, F.C.A.
Vice-Chairman—John McCullough, F.C.A.
Hon. Treasurer—William Fitzsimons, F.C.A.
Hon. Secretary—A. H. Muir, F.C.A.

Edward Bailey, F.C.A.	H. B. Brandon, F.C.A.
Martin E. Lynas, A.C.A.	John E. Magill, F.C.A.
Samuel Smyth, A.C.A.	Robert Welsh, F.C.A.

An opportunity was also given to the students to discuss among themselves how the Society could be made most useful to them.

The nucleus of the Library already exists, and a convenient hall has been obtained for meetings.

The Cornhill Magazine for January contains the customary instalment of "Fräulein Schmidt and Mr. Anstruther," by the author of "Elizabeth and her German Garden," while Mr. A. E. W. Mason begins a new novel entitled "The Broken Road." Mr. George W. E. Russell contributes a study of "Lord Beaconsfield's Portrait Gallery." Professor H. H. Turner, of the Royal Observatory, writes on "Greenwich Time." Dr. Andrew Wilson graphically explains the latest theories "About Opsonins." Mr. C. A. Benson sets forth "An Old Parson's Day Book," and Mr. Andrew Lang treats of "Border History *versus* Border Ballads." Short stories are "The Sandflies," by Sir George Scott, K.C.I.E., and "The Boiled Owl," by Mr. Laurence Housman, while poetry is represented by Miss Jane Barlow's story in verse "The Foreseer," and "A Christmas Legend," by F. S.

INCOME-TAX REFORM.—To this month's *Financial Review of Reviews* Sir Thomas P. Whittaker contributes an important article on the subject of the proposed new income-tax. The article has special significance because it was Sir Thomas Whittaker's report which the Select Committee on the Income-tax adopted, and the *Financial Review of Reviews* is to be congratulated on obtaining what is to a great extent a supplementary report in the shape of an article showing how the Committee's income-tax proposals will work out in practice. Curiously enough, the essay which wins the twenty-guinea prize offered by the *Review* each month is on "Discounting the Death Duties." Other articles discuss in a practical way various phases of investment, and although the *Review* is creating quite a new departure by making a feature of political-financial discussions, by prominent public men, it still maintains the excellence of its articles on sound investment.

CASSELL'S MAGAZINE for January 1907 contains: "The Art of Joseph Farquharson, A.R.A.," by Rudolph de Cordova, illustrated with pictures by the artist; "The Dice," a complete story, by Perceval Gibbon; "Mischa Elman," with special portraits; "An Incident of the Night," by W. G. Yarcott, illustrated by Lawson Wood; "Through the Magic Door," second article, by Sir A. Conan Doyle; "Tomlin," a complete story, by Owen Oliver, illustrated by Arthur Buckland; "Biography by Anecdote," illustrated with portraits of the Speaker and Mr. Labouchere; "Sir Harry H. Johnston, G.C.M.G.," a portrait; "Adventures in Uganda," by Sir Harry H. Johnston; "The Story of the Co-operative Movement," by Richard Whiteing"; "Worry: The National Disease. I.—The Consequences of Worry," by Dr. Saleeby; "The Man who was Dead," serial story. Chapters VI.—IX., by A. W. Marchmont, illustrated by F. H. Townsend; "Other People's Humour"; "Second Thoughts," by the Editor; "Looking Forward," &c. &c.

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Bank Rate of Discount.

Oct. 19th 1906 .. .. 6%

The Accountant.

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During the year ended 31st March 1906, Relief was granted in 29 cases to the amount of £876 7s. 6d.

Donations and Annuities to necessitous Members are paid only out of the net Income received from Annual Subscriptions and Investments.

All Donations and Legacies are invested.

Members of the Institute of Chartered Accountants are earnestly requested to become Members of the Association.

MOORGATE PLACE, LONDON, E.C. GEORGE COLVILLE, *Secretary.*

INSTITUTE OF CHARTERED ACCOUNTANTS.

LIST OF SUCCESSFUL CANDIDATES.

At the EXAMINATIONS held in NOVEMBER and DECEMBER 1906.

PRELIMINARY EXAMINATION.

Candidates who obtained a certain number of marks, in Order of Merit)

Name	Where educated
HAWLEY, H., Fenton, Staffs. (*Prize*)	Newcastle Middle School
GOLDNEY, G. G. P., Bedford	Bedford Grammar School
JOB, E. D., Hampton Hill	Pembroke House School, Hampton-on-Thames
ETCHELLS, E. S., Penrith	Appleby Grammar School, Westmoreland
OLIVANT, H. F., Sheffield	King Edward VII. School, Sheffield
PECKET, H. C., Scarborough	Scarborough Municipal School
TURVILLE, F. P., Birmingham	King Edward's Grammar School, Birmingham
LOWNDES, G. M., Chester	Liverpool College Upper School
ALEXANDER, H. G., Rock Ferry	Sedbergh School
FOX, R., Wirksworth	Trent College
HODGSON, A. S., Whitehaven	Ghyll Bank School, Whitehaven
NUTTING, A. F., Eastbourne	Sherborne School
TRENOW, G. F, Epping	Sutton Valence School

(In alphabetical order)

Name	Where educated
ALEXANDER, H. S., Hornsea, East Yorks.	Hymer's College, Hull
ALLEN, R. W., London	Eastbourne College
ARMSTRONG, E., Farnworth	Farnworth Grammar School
BARRATT, H., Leicester	Kibworth Grammar School
BEDDOW, L. T., London	Priory House School, Clapton Common
BETTERTON, J. S., Birmingham	King Edward's Grammar School
BLEAKLEY, J. K., Urmston	Royal Masonic School, Bushey, Herts.

(In alphabetical order)

Name	Where educated
BROCKBANK, S. R., Bolton	Bedford Grammar School
BROMHEAD, C. D., Plymouth	Bristol Grammar School
BRYAN, E. R., Leicester	Mill Hill School
BURGESS, H. S., Hamburg	Bolton Church Institute
BURMAN, F. S., Manchester	Rossall School
BUTLER, F. W., Weybridge	Charterhouse School
CARTWRIGHT, G., Mayfield	Xaverian College, Mayfield
CAWOOD, H. J. L., Sheffield	Tideswell Grammar School
CHAMBERS, H. T., Liscard	Gresham's School, Holt, Norfolk
CHARLTON, F., Jarrow	Skerry's College
CLARRY, N. A., Llandaff	Cardiff Intermediate Boys' School
CLEGG, T. H., Nelson	Nelson Technical School
CLOUGH, G. W., Gildersome, near Leeds	Modern College, Harrogate
COBBETT, M. R., Richmond, Surrey	Bradfield College
COCHRANE, G., Chester	College School, Chester
COLLINGE, B., Burnley	St. Andrew's School, Burnley
COLLINS, H. E., London	Roan School, Greenwich
CORBETT, C. B., Birmingham	King Edward's School, Birmingham
CRACKNELL, C. G. R., London	St. Peter's College, Westminster
DAVENPORT, G., Burnley	Burnley Grammar School
DAVIS, I. H., London	South-Western Polytechnic, Chelsea
DUNN, F. S., Stratford-on-Avon	Christ's Hospital
ECKERSLEY, J. W., Salford	Manchester Municipal Secondary School
ELLWOOD, W. C., London	Private Tuition
EMERY, H. R., Leyton-stone	King's College

PRELIMINARY EXAMINATION—*continued.*

(In alphabetical order)

Name	Where educated
GILL, H. C., Manchester	Chorlton Grammar School
GILL, R. M. F., Darnall	Central Secondary School
GODDARD, C. S., London	Dover College
GOODCHILD, W. H., London	Merchant Taylor's School
GOODWIN, J. L., Woodford Green	Bancroft School, Woodford
GOODWIN, W. L. B., London	Owen's School, Islington
GOWERS, W. B., Sheffield	King Edward VII. School, Sheffield
GRIGSON, W. T. S., London	Wellington College
HASELER, M. N., Birmingham	Atherstone Grammar School
HAYNES, P., Liverpool	Liverpool College (Middle School)
HELLOWELL, J. W., Pudsey, near Leeds	Fulneck School
HINCHLIFFE, C. E., Mytholmroyd, Yorks	Sandringham School
HOLMAN, W., London	Shebbear College, Shebbear
HUGHES, H. T., Llandudno	Llandudno County School
JOHNS, W. F., Fleetwood	Baines' Grammar School, Poulton-le-fylde
JOHNSON, H. R. B., Derby	Bedford County School
JOSEPH, E., Birmingham	West House School, Edgbaston
KENT, L., Newcastle-upon-Tyne	Skerry's College
KERFOOT, E. M., Preston	Hutton Grammar School
LAMBERT, W. G. C., Newcastle-upon-Tyne	St. Cuthbert's College, Worksop
LAWS, C. W., London	Hillmarton College, Camden Road, N.
LLOYDS, W. C., London	London Orphan Asylum, Watford
MAILE, W. S., Dedham, Essex	Blundell's School, Tiverton
MARTIN, A., Redhill, Surrey	Bath College
MILLS, F. H., Stretford	Private Tuition
MITCHELMORE, L. E. Q., Goring-on-Thames	Bath College
MOSS, S. H., Ilkeston	Grammar School, Loughborough
MOSS, V. A., London	Clifton College, Bristol
NEWBERRY, F. W., Billericay	Friend's School, Saffron Walden
NICHOLL, E., Halifax	Private Tuition
PEGG, C., Thornton Heath	Whitgift Grammar School, Croydon
PENN, T., Fenton	Private Tuition
PHILLIPS, E., London	Clark's College, Holloway
POOLEY, W. L., London	Haileybury College
PYE, R. G., London	Harlesden College
RADLEY, E. H., Congleton	Trent College, Long Eaton
REX, A. M., London	Highgate School
ROBERTS, H. B., Bedford	The Army School, Stratford-on-Avon
SAUNDERSON, S. A., Biggleswade	Ebor School, Bexhill
SELL, C. H., London	Dulwich College
SKIPTON, L. B., Whitchurch, near Cardiff	Monkton House School, Cardiff
SMART, R. S., Peterborough	Deacon's School, Peterborough
SMEDLEY, W. H., Belper	St. Helen's School, Derby
SMITH, A., Whitehaven	Ghyll Bank School, Whitehaven
STEEL, C. S., Leeds	Horst College, Harrogate
STEPHENS, E. S., London	Highgate School
STUART, C. N. M., London	Private Tuition
SWALES, A., Leeds	Hanson Higher Grade School, Bradford
TAYLOR, H., Sandiacre	De Aston School, Market Rasen
THOMAS, H., Stockport	Manchester Central Board School
TWEEDALE, C. M., Wilmslow	Malvern College
WATKINS, B. N., Shrewsbury	Wellington College
WAY, D. C., Thame, Oxon	Reading School
WHEATLEY, H. H., Hull	Hull Grammar School
WHILE, C. R., Sheffield	Wesley College, Sheffield
WHITING, A., Birmingham	The Grammar School, Handsworth
WILLIAMS, C. B., Owestry	Grammar School, Oswestry
WILLMOT, H. G., Birmingham	Gower Street Council School, Aston, Birmingham
WOOD, E. H., Harrogate	Sedbergh School
YOUNG, G., Nailsworth, Glos.	Wycliffe College, Stonehouse

54 Candidates failed to satisfy the Committee.

INTERMEDIATE EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

WARD, H. B. (*Institute Prize and Robert Fletcher Prize*), (E. Hart), London
JONES, A. E. (W. J. Glass), Liverpool
GREENSLADE, C. F. A. (W. V. Jenkins), Bristol
FOSTER, A. J. (F. W. Lord), London
BURN, H. H. (A. H. S. Glenton), Newcastle-upon-Tyne
GILL, M. L. C. (E. Hobbs), London
JOHNSTON, R. H. (R. Muras), Wolverhampton
KNIGHT, R. J. (B. S. Dunn), London
TOMPSON, C., B.A., LL.B. (H. F. Kemp), London
EWBANK, W. F. (E. M. Ormrod), Liverpool
DAWSON, J. A. (J. J. Saint), Carlisle
SMITH, A. R. (R. G. Longcroft, LL.B.), London
BROWN, H. T. (W. E. Mounsey), Liverpool
ATKINSON, H. G. (J. J. Campbell), Hull
ENGLISH, C. R., B.A. (L. Maltby), London
HOWELL, H. G. (A. Akenhead), Cardiff

(In alphabetical order)

ALABONE, V. S. (B. T. Norton), London
ATKINSON, H. N. (C. H. Beevers), Leeds
BACKHOUSE, H. E., B.A. (F. McBain), Middlesbrough
BADDELEY, L. K. (E. W. Rowe), London
BALL, B. D. G. (H. A. Deed), London
BARBOUR, G. H. (T. Vasey), South Shields
BEADLE, P. D. (A. E. M. Davis), London
BELL, A. H. (F. O. Grant), London
BICKLEY, W. A. (A. Page), London
BIRTWHISTLE, C. H. (E. H. Drury), Hull
BOND, J. A. (T. H. Crane), Southport
BOWDEN, E. M. (F. W. Le B. Lean), London
BRADFORD, J. P. (A. W. Sully), London
BRAYBROOKS, F. J. (F. C. Goodman), London
BROWN, P. K. (A. L. Honey), Exeter
BROWN, W. B. (H. G. T. Davies), London
BROWNING, C. Le C. (M. Pawson), London
BUCKLEY, J. (H. W. Hazlehurst), Oldham
BURGESS, G. W. (J. E. Egerton), London
CHIOSSO, H. E. (M. Chater), London
CLAGUE, J. A. (T. C. Parkin), Sheffield
CLIFFORD, H. M. (J. A. Heiron), London
COATES, S. H. (C. H. Hovey), London
COLEMAN, W. J. R. (S. North-Smith), Scarborough
CURTIS, J. (A. J. Halford), Leicester
DODDS, W. M. (R. P. Winter), Newcastle-upon-Tyne
DUFF, C. L. D. (H. Meredith), Birmingham
EDWARDS, A. F. M. (C. O. Hooper), London
FIRTH, A., B.A. (H. Sykes), Huddersfield
FISCHER, T. (E. Hull), Manchester
FISHER, H. R. E. (J. H. Rogers), Birmingham
FOTHERGILL, J. H. (G. C. Clarke), London
FRANK, C. O. (T. Goldie), Hull
GERRY, U. R. (W. Davison, Junr.), Sunderland
GREEN, A. H. (A. Beavis), London
GREEN, P. F. (T. O. Williams), Birmingham
GYSIN, H. (S. Lovering), London
HALSEY, B. (H. A. Plumb), London
HAMLYN, R. A. (H. W. D. Soper), London
HARDING, W. E. (R. B. Petre), York
HARVEY, E. H. (A. A. Adams), London
HENDRIE, P. M. (F. Holt), Liverpool
HENRY, A. R. (F. M. Gillott), London
HEWITSON, S. D. (J. E. Pritchard), Birmingham

(In alphabetical order)

HIND-WOOD, E. L. (J. H. Kemp), London
HODGSON, W. W. (J. Thornely), Chester
HOLDCROFT, W. L. (W. F. Robinson), Hanley
HOPE, H. S. (F. H. W. Hope), London
ILIFFE, E. E. C. (E. Crewdson), Manchester
JONES, A. E. (J. S. Bird), London
KILLIP, R. (H. N. French), Liverpool
KILVINGTON, H. H. (W. Fortune), West Hartlepool
KNAGGS, M. (A. A. B. Walford), Stockton-on-Tees
LEICESTER, P. (H. A. Leicester), Worcester
LOWE, W. R. (T. Eyton), Newcastle-upon-Tyne
LUCAS, A. W. (J. A. Tinling), Eastbourne
MANSFIELD, H. A. (F. N. Tribe), Bristol
MAUNDER, S. H. (A. Hartley), London
MCNEILL, J. (A. E. Carr), Newcastle-upon-Tyne
MILLS, J. C. H. (W. Conway), Chester
MOORHOUSE, H. (F. Cooper), Bolton
MUNDY, L. A. (F. W. Lord), London
NEWMAN, A. W. (W. Brining), Sheffield
OGLE, C. (W. S. Ogle), London
PAGE, P. S. (R. Bromhead), Plymouth
PARKES, J. K. (W. D. Haswell), Chester
PARK, L. O. S. (H. Möller), Manchester
PARRY, P. C. C. (H. R. Wright), Dudley
PARSONS, A. H. (E. D. Goddard), London
POOLE, R. J. (J. Carter), Bolton
POWELL, A. M. (A. F. Whinney), London
PROCTER, G. C. (F. W. Pixley), London
PULLEN, F. H. (W. H. Thomson), London
RICHARDS, C. C. (W. J. West), Nottingham
ROCHFORD, G. M. (G. C. Clarke), London
RUTHERFORD, J. G. (F. C. Squance), Sunderland
SHARPER, R. (W. H. Platts), Leeds
SMETHURST, R. R. (G. E. Haworth), Manchester
SMITH, B. A. (J. S. Cotman), London
SOTHERS, R. H. (C. T. Viney), London
SOULSBY, W. (J. A. Carlill), Hull
SPROAT, E. (W. H. Mitchell), Halifax
TANFIELD, D. (W. F. Bridgwater), Birmingham
TAYLOR, J. (E. J. Deane), Liverpool
TAYLOR, R. G. (R. M. Coutts), Manchester
TAYLOR, W. (T. Broadhead), Dewsbury
TEALE, H. (C. H. Beevers), Leeds
TEMPLE, C. G. (G. B. Norton), London
TERRY, R. S. (W. F. Terry), Liverpool
THOMAS, B. L. (W. S. Aston), Birmingham
THOMPSON, F. S. (J. W. G. Hill), Birmingham
TOMLINSON, A. G. (W. Hart), Derby
TULL, F. S. S. (S. W. Runtz), London
TULLOCH, J. R. (F. T. Whinney), London
VENABLES, W. (W. H. King), London
WALLER, H. W. (T. Wallace), Newcastle-upon-Tyne
WATERWORTH, G. (E. Rudd), Blackburn
WATSON, C. A., B.A. (H. Sadler), Liverpool
WATTERSON, P. G. (G. Crowther), Bradford
WEIGHILL, H. (W. G. Hindmarsh), Newcastle-upon-Tyne
WHITBY, T. F. (H. J. Peart), Birmingham
WILCOCK, W. C. (S. North-Smith), Scarborough
WILKINS, P. G. (D. Owen), Devizes
WILLMOTH, H. B. (W. J. Willmoth), Preston
WOODWARD, J. H. (L. H. Elkington), Birmingham
WRIGHT, C. (F. Winter), Newcastle-upon-Tyne

58 Candidates failed to satisfy the Committee.

FINAL EXAMINATION.

(Prize and Certificate of Merit)

CARDER, F. W. (T. H. Gough), Dudley

(Certificates of Merit in Order of Priority)

BRISTOL, C. F. (W. Thomas), Birmingham
YEOMAN, L. J. (G. Clark, Junr.), London
CROSS, J. G. (J. Benson), Newcastle-upon-Tyne
SPARK, F. V. (E. Sparks), Newcastle-upon-Tyne
RAYMONT, F. R. (E. P. Chevalier), Liverpool
BAIRSTOW, E. (B. Turney), Halifax
GARRATT, A. (A. E. J. Lark), Great Yarmouth
CHANDLER, G. L., B.A. (A. A. Adams), London
WOOD, W. T., B.A. (H. Woodburn Kirby), London
ANDERSON, C. (W. C. Jackson), London

(In alphabetical order)

ADAMS, T. J. B. (C. T. Viney), London
ALBERY, W. J. (F. McBain), Middlesbrough
ALDRED, J. W. (E. S. Holmes), Manchester
ALLAN, W. C. (J. H. Armstrong), Newcastle-upon-Tyne
ARIS, J. L. (R. Pittman), London
ATKINSON, J., Huddersfield
BAILEY, J. (A. T. Chew), London
BARON, H. H. (J. H. Bardsley), Manchester
BARTON, P. S. (J. E. Lees), Manchester
BAYLEY, H. A. L. (F. S. Abbott), Manchester
BENNETT, E. J. (T. D. Cocke), London
BINNS, L. E. (J. Robertson), Manchester
BOWDEN, J. H. (W. A. Harper), Bolton
BOWERS, F. G. (J. D. S. Bogle), London
BROADHEAD, E. G. (G. W. Townend), Goole
BROMILEY, H. (S. Horrocks), Bolton
BROWN, C. M. D. (W. Swan), Newcastle-upon-Tyne
BROWN, O. M. (G. R. Bostock), London
BURKINSHAW, J. G. (W. P. Burkinshaw), Hull
BURTENSHAW, F. A. (W. A. Stone), London
BUTT, G. C. (T. Wise), London
CANE, H. (A. F. Whinney), London
CLIFFORD, A. H. (W. E. Vellacott), London
CLOUTTE, H. J. (P. D. Griffiths), London
CLOW, J. P. (J. Cherry), Leicester
COBLEY, G. H. (A. J. Kelleway), London
COSTELLO, E. G. (A. J. Davis), London
COWELL, P. S. (S. V. Tiddy), London
CUFFE, S. F. (J. H. Heaton), Birmingham
DAVEY, E. D. (E. W. Drew), London
DEAN, R. (L. Greenhalgh), Manchester
DICKS, M. P. (F. W. Allen), London
DISLEY, H. R. (J. G. Litton), Manchester
EDWARDS, H. V. (J. A. Heiron), London
FOSTER, H. D. (W. H. Shaw), Dewsbury
FREEMAN, E. C. (S. C. Platts), Leeds
FREEMAN, H. J. J., B.A. (C. H. Weatherley), London
FRITH, R. G. (E. H. Frith), London
GARLAND, J. A. (A. J. West), Birmingham
GITTINS, F. H. A. (A. E. Percy), Dudley
GREAVES, S. H. L. (C. L. Nichols), London
GREENWOOD, H. (W. Beanland), Bradford

(In alphabetical order)

GRIFFIN, T. (J. C. Aldred), Manchester
GYLES, G. F. (H. S. Brown), London
HALLIDAY, D. D. (J. E. Halliday), Manchester
HARDWICKE, F. H. (G. F. Walter), Stoke-upon-Trent
HARRISON, N. (J. H. Armstrong), Newcastle-upon-Tyne
HART, E. P., M.A. (E. T. R. Wilde), London
HAWTHORNE, E. D. (H. Wingfield, M.A.), London
HEATH, F. S. (E. Bland), Leicester
HEATHCOTE, F. L. (F. J. Heathcote), Birmingham
HIGGS, R. D. (F. Brown), Croydon
JONES, G. E. (A. Campbell), Manchester
JONES, H. (W. Emmerson), Leeds
KIRKHAM, F. (A. Kirkham), Bolton
LEAH, S. (C. H. Barham), London
LEDGARD, R. A. (T. Lloyd), Liverpool
LEES, R. (H. Sadler), Liverpool
LINDLEY, A. (J. Dann), Manchester
LONGBOTTOM, J. S. (G. P. Norton), Huddersfield
MALEHAM, E. H. (J. W. Best), Sheffield
MEALS, J. R. (F. Fugill), Hull
MEARES, C. S. (E. H. Fletcher), London
MORRIS, J. T. (G. Walter Knox, B.Sc.), London
NESBITT, W. H. A., B.A. (F. B. Wilson), London
NEWSON-SMITH, H. H. (*F. W. Mills, deceased*), London
OSBORNE, F. L. (A. J. Kelleway), London
OWEN, R. D. (D. Owen), Devizes
PARISH, W. W. (W. Plender), London
PATTINSON, I. G. (J. Watson, Junr.), Carlisle
PHIPPS, P. (O. Maskall), London
PLACE, R. (W. Grimshaw), Blackpool
PLANTE, A. G. (G. Dixey), London
PRAGNELL, F. (T. G. Bowden), Newcastle-upon-Tyne
PRESTON, G. (G. J Bowker), Birmingham
PRICE, M. (T. E. Goodyear), London
PURTON, L. P., B.A. (R. Peters), Cambridge
REVELL, F. E. (A. Revell), Huddersfield
ROBINSON, M. H. (L. W. Hawkins), London
RUTHERFORD, P. R. (O. W. Williams, B.A.), London
SAMSON, B. (J. E. Rubery), Birmingham
SMEDLEY, C. E. (E. J. Husey), London
SMITH, J. P. (W. Bolton), Manchester
SMITH, S. H. (F. T. Whinney), London
SNAPE, J. A. (G. L. Hansford), Manchester
STANSER, W. (A. E. Aizlewood), Rotherham
STEVENSON, H. B. (C. C. Baker), London
STREET, J. G. (C. P. Crookenden), London
SYKES, W. E. (C. Wheawill), Huddersfield
TOMLINSON, O. (D. C. Wilson), London
VELLACOTT, A. L. (A. J. Hill), London
WALLIS, S. A. (*C. Rogers, deceased*), Nottingham
WEATHERLEY, H. C. (L. F. Goodricke), London
WHYTE, A., Junr. (W. A. Smith), South Shields
WILD, N. W. (G. Franklin), London
WILSON, J., Junr. (J. Miller), Newcastle-upon-Tyne
YOUNG, J. E. (F. V. Hansford), Manchester

82 Candidates failed to satisfy the Committee.

The Accountant

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By FRANCIS W. PIXLEY, F.C.A., Barrister-at-Law.

[REPRINTED FROM "THE ACCOUNTANT."]

THIS paper was read at a meeting of the GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY, on October 22nd 1906, and deals with the subject—

(a) from the point of view of a Financial Expert, dealing in this connection with "Working Capital," "Fixed Capital," and the Gauging of the Position of a Company from its certified Balance Sheet;

(b) from an Auditor's point of view, in respect of clear stating.

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Leading Articles.

Departmental Accounts.

OUR issue of the 8th ult. contains a letter from a correspondent signing himself "Departmental," asking us to suggest a satisfactory basis of apportionment for indirect expenses over the different departments of a large wholesale merchant's business. These expenses, we are informed, include counting-house, packing, travelling, and branch office expenses, which have hitherto been apportioned over the several departments *pro ratâ* accordi-

to the respective totals of sales. It is added, however, that the partners think this a rather unjust method, as some of the departments which are increasing their sales are being saddled with a larger portion of the expenses, while those which are stationary are consequently having their expenses reduced. Our correspondent states that he has suggested an arbitrary percentage of the total expenses to be charged against each department, such percentage to be based on an average to be worked out from the actual amounts charged during the past three or five years, but adds that the partners do not think this would be any improvement.

It will be readily understood—even by those who, like ourselves, have not the full details before them—that any fixed method of apportionment, such as either of the two methods suggested by our correspondent, would, under certain circumstances (and, indeed, probably under most circumstances in practice) produce unfair results. The problem that is put to us is to devise a basis of apportionment which will, under all conceivable circumstances, and in spite of all conceivable fluctuations of relative increase or decrease in the future, produce equitable results as between one department and another—that is to say, results which may be regarded as a fair test of the success achieved by the several departmental managers. We are of the opinion that nothing of the kind is likely to be accomplished this side of the millennium.

It should be borne in mind that the preparation of Departmental Accounts is never an end in itself, but the compiling of a means of information whereby those who have access to these accounts may test the measure of success attending the efforts of the respective managers of the several departments. A mere theoretical ideal of perfection is thus useless. What one has to bear in mind is that results which may be either unduly favourable or unfavourable to the manager of any one or more of these departments will be not merely practically useless, in connection with this particular department, but also of very doubtful value in connection with the remainder.

It may well be questioned whether the attempt to departmentalise indirect expenses is not a task somewhat similar to that of attempting to square the circle; whether it is not an attempt to apportion the unapportionable, and, as such, an unprofitable waste of time from the beginning, which may lead to seriously erroneous conclusions in the end. As a matter of fact, many able business men hold this view. It would, we think, hardly be overstating the case to say that the majority of those carrying on a merchant's business do not attempt to carry their Departmental Accounts beyond the gross profit stage; and it would certainly be well within the mark to say that most manufacturers do not attempt to take their Cost Accounts beyond the prime cost stage. This evidence of the existing practice is, of course, not necessarily conclusive as to the limits of possibility, but it is certainly of value as showing the practical difficulties which have hitherto been experienced in attempting to arrive at accurate and more particular results.

If any solution of the difficulty is to be found, we feel sure that it must be sought in the direction of analysing the departmental expenditure into suitable classes, and apportioning each class according to the merits of the case, by no means necessarily always upon the same basis. A preliminary analysis of

the expenditure itself will, in the majority of cases, actually facilitate the determination of the best basis of apportionment, assuming, of course, that that particular type of expenditure is really capable of being apportioned at all. Thus, with regard to Packing Expenses, we should have thought that it would not be difficult to arrive at a basis of apportionment which (subject to modification from time to time) would be admitted as fair by all managers of departments. Assuming that, from the packing point of view, the goods are uniform in character, the expenses of the packing department might probably be apportioned according to the weight of goods handled in respect of each. If of a widely differing character, some other basis—such as the number of cases or bales, or the cubic volume—might be better; but we certainly consider that the foreman packer, if a man of intelligence, should be able to devise a workable method of apportionment here.

With regard to Travelling Expenses, which we take to mean the commissions earned by travellers for effecting sales, an absolute apportionment according to fact would be practicable, and far superior to any cut-and-dried method; while travellers' expenses would, in the majority of cases, probably be quite equitably apportioned *pro ratâ* according to the apportionment of travellers' commission. With regard to Counting-house Expenses, assuming that the transactions of each department were of approximately uniform value so far as the amount of money involved was concerned—that is to say, assuming that the money value of each sale transaction effected is equal in each department—an apportionment of these expenses in the ratio of sales would apparently be fair; but if there were any marked discrepancy in the average value of a sale transaction, probably an apportionment according to the number of separate transactions would be more equitable. Such items as Interest, Discounts, and Bad Debts, might, however, vary very greatly in the different departments, in which event an absolute apportionment, as opposed to a mere arithmetical apportionment, would appear to be called for.

With regard to the Branch Offices' Expenses it is, we think, impossible to make any definite suggestions without having some idea of the exact nature of the expenses referred to. Such items as Rent, Rates, and Taxes should be apportionable according to the actual amount paid in respect of each department; or, where two or more departments occupy the same premises, the expenditure might be apportionable between them upon the basis of recording them as sub-tenants, each liable to pay a due proportion of the whole, according to the value of the actual rooms or floors occupied by them respectively. Salaries would probably present no obstacle, in that, apart from counting-house salaries, there would, as a rule, be no difficulty in distinguishing between persons employed in the several departments, each of which would, as a rule, require its own distinct staff. Such expenses as advertising would *primâ facie* present greater difficulties; but here, again, if the matter be dealt with in detail, these difficulties would to a large extent disappear, in that the aggregate expenditure upon advertising would appear to be *primâ facie* apportionable according to the relative amount of space occupied in advertising the wares of the several departments.

It may be thought that so detailed a system of apportionment would be altogether unpractical, on account of the trouble

expense involved. We venture to think that, in the case of the largest business, the expense would be microscopical, in that the additional work could hardly under any circumstances occupy the whole time of a single clerk. With regard to trouble, it may be pointed out that good work always saves more trouble than it makes. Departmental accounts which would have to be admitted by all parties concerned as being scrupulously fair would be of real value to those upon whom the control of a business devolved, and of great service to those in charge of a single department or section of a department. If the advantages to be gained from such accounts are not sufficient to justify their preparation upon the best possible lines, it is unlikely in the extreme that any admittedly imperfect substitute will be possessed of sufficient value to justify its existence, even at a quite trifling cost. On the contrary, it is more likely to do harm, by reason of its misleading character, than to do good, on account of the necessarily incomplete and imperfect information that it is capable of conveying.

If our correspondent will supply us with further particulars as to the exact nature of the business concerned, and the classes of expenditure involved, we shall be pleased to go into the matter further; but we think that we have said enough to show that the preparation of Departmental Accounts is—like most other things—worth doing well if it is to be done at all. Hitherto, as we have already pointed out, most business houses have not thought it worth doing in its entirety. We differ, however, from them in thinking that it can be well done at a reasonable expense, and (what is more important) without unreasonable delay, and that the additional information thus available is well worth the very slight additional trouble and expense involved.

Borough v. Government Officials.

IN the course of the past week two cases have come before the Courts arising out of the refusal of Borough Treasurers to comply with the requirements of the District Auditors. On the 9th inst. the Stipendiary Magistrate at West Ham had before him the Borough Treasurer of that Corporation, who was summoned at the instance of Mr. D. H. BOGGIS ROLFE, the Local Government Board Auditor; while on the following day the Justices at Stratford heard a similar summons against the Borough Treasurer of East Ham, at the instance of Mr. J. E. HUGHES, an Assistant District Auditor of the Local Government Board. The order made in each case was practically identical, the summons at West Ham being dismissed upon payment of ten guineas costs, and on an undertaking being given to comply with the auditor's requirements; while at Stratford the defendant was fined one shilling, with ten guineas, the auditor's costs, and the usual Court costs.

The West Ham case was brought under Section 247 of the Public Health Act, 1879, which provides, under Subsection 5, that the auditor may by summons in writing require the production before him of all books, vouchers, &c., which he may deem necessary, and may require any person holding or accountable therefor to appear before him at any audit, and make a declaration as to the correctness of the same. The subsection further goes on to provide that any such person neglecting or refusing to comply with these requirements is liable to a penalty not exceeding forty shillings, and enacts that the false or corrupt making of a declaration untrue in any material particular is to be punishable

as perjury. We are in ignorance as to what may have led up to the proceedings which culminated in the West Ham Police Court on the 9th inst. It appears to us, however, from *The Times* report of the case, that Mr. PATTERSON, the defendant Borough Treasurer, had really no defence at all. He attempted the purely technical defence that the declaration was asked for after the audit had been concluded, and therefore at a time when the District Auditor had no power to require him to make it. Inasmuch, however, as the auditor had not then signed the accounts, it is obvious that this defence could not be sustained. Possibly Mr. PATTERSON considered that as the auditor had admitted to him in the course of conversation that the declaration was not really necessary, the admission operated as cancelling the formal summons in writing required by the Act; but whatever the explanation may be is, of course, not very material, as the District Auditor was, beyond all question, acting within his rights, which were upheld by the magistrate.

The East Ham case was brought under Section 18 of the Education Act, 1902, which provides that the Education Accounts are to be kept separate from the other accounts of the Council, and are to be made up in like manner to, and subject to, the same provisions as the accounts of a County Council, including the penal provisions, thus incorporating Section 247 of the Public Health Act, 1875, to which we have already referred. In this case it appears that the defendant Borough Treasurer had been appointed comparatively recently, and had not found the accounts in a very good state when he took them over. Under these circumstances, it appears that he regarded the request for a declaration as in the nature of a personal reflection upon himself; but upon taking advice had come to the conclusion that the position he had taken up was untenable, and expressed his willingness to make the required declaration.

We can quite understand that in certain cases it might be extremely unreasonable to require a man to make a declaration which would in effect make him also responsible for the work of his predecessors in office, but that does not appear to have been a point that arose in the case now under consideration. Indeed, bearing in mind all the circumstances, it would seem that there must have been some correspondence between the Borough Treasurers of East and West Ham which induced them to simultaneously defy the Local Government Board Auditors. Should this be the case, we can only say that such an attitude is extremely regrettable, the more so because it cannot have the effect, doubtless desired, of discrediting the official system of audit. On the contrary, if it decides or suggests anything at all, it is to the effect that these officials sometimes have quite unnecessary difficulties placed in the way of the due discharge of their statutory duties, and that in these circumstances it is matter for congratulation that their statutory powers are sufficiently strong to enable them to vindicate their position.

Solicitors' Accounts and Audit.

ALTHOUGH we expressed the hope, in our issue of the 5th inst., that Mr. SAMSON would find himself in a minority of one on the taking of the poll directed as a result of the voting at the so-called "secret" meeting of the Law Society, which was held on the 15th ult., we never seriously expected

that the reform party would secure anything like so conclusive a victory. In every community there is always an appreciable number who view all changes with suspicion, and particularly those changes which affect what they are pleased to regard as their own personal affairs, and solicitors as a body are probably more conservative than most. Under these circumstances the actual result of the poll must, we think, be regarded by all disinterested persons as extremely satisfactory.

As the regulations imposed required every member of the Society to attend and personally record his vote at the Law Society's hall, it was obvious from the first that the poll could never represent more than the views of London practitioners. These, however, decided, by 1,169 votes to 609, or by nearly a two-thirds majority, that a Committee be appointed to inquire into the method of keeping solicitors' accounts and the conduct of professional business, in the terms of the resolution proposed by Mr. JULIUS BERTRAM, M.P., the precise text of which we have already published. The Committee so appointed consists of the following members, the last four of whom have been nominated by the Council of the Society:—

Mr. SYDNEY COZENS-HARDY, of Norwich, Vice-President of the Norwich Law Society; Mr. JAMES ARTHUR DAWES (Dawes & Sons), of 9 Angel Court, Throgmorton Street, E.C.; Mr. ERNEST RALPH DODSWORTH (Gray & Dodsworth), of York; Mr. WALTER DOWSON (Dowson, Ainslie & Martineau), of 19 Surrey Street, Victoria Embankment, W.C.; Mr. CHARLES FRANCIS HAIGH, of Leeds, President of the Leeds Law Society; Mr. RICHARD LAKE HARRISON (Waterhouse & Co.), of 1 New -t, Lincoln's Inn, W.C.; Mr. BERESFORD NGTON HEATON (Rider, Heaton & Wigram), of 8 New Court, Lincoln's Inn, W.C.; Mr. SAMUEL GARRETT (Parker, Garrett, Holman & Howden), of Rectory House, St. Michael's Alley, Cornhill, E.C.; Mr. HENRY MANISTY (Nicholl, Manisty & Co.), of 1 Howard Street, Strand, W.C.; Mr. THOMAS RAWLE (Rawle, Johnstone & Co.), of 1 Bedford Row, W.C.; and Sir ALBERT KAYE ROLLIT (Rollit & Sons & Burroughs), of 3 Mincing Lane, E.C.; with power to the Committee to add to their number four members, one to be nominated by the Incorporated Law Society of Liverpool, one by the Manchester Incorporated Law Association, one by the Birmingham Law Society, and one by the Associated Provincial Law Societies.

We understand that the members of the reform party endeavoured to ascertain the views of provincial members by a system of voting by post card, and that the results of this inquiry showed that the appointment of a committee is viewed with even greater favour in the provinces than in the metropolis. We congratulate solicitors upon adopting what all outside persons must admit to be the only proper attitude in view of the circumstances. We feel sure that—whatever the result may be of the newly-appointed Committee's deliberations—the very substantial majority by which solicitors as a whole have shown that they appreciate the gravity of the present position of affairs will go far to allay that distrust on the part of the general public which, however unreasonable it may be, has undoubtedly been increased, rather than allayed, by the tactics pursued by the Council at the meeting on the 15th ult.

Having said so much, we should like to point out that no one in favour of the proposed reforms has ever for one moment suggested

that the adoption of any particular form of account keeping, or the regular employment of professional auditors, would *ipso facto* prevent losses being sustained by clients who had entrusted their money to the safe-keeping of dishonest solicitors. No one but an ignoramus would think of suggesting that either good accounting or good auditing *per se* prevents fraud, nor would they be so foolish as to assert that the keeping of a separate banking account (or accounts) for clients' moneys places those moneys beyond the control of the solicitor. Mr. SAMSON, and those who think with him, appear to have argued upon the lines that the contentions of the reform party consisted of an affirmation of the fallacies which we have just disclaimed, and they somewhat elaborately went out of their way to disprove these absurdities, apparently under the impression that by so doing they were defending their own cause in favour of letting things alone. It is quite possible that the majority of those who are sufficiently foolish to leave large funds in the control of solicitors would not be sufficiently well-informed to appreciate that all the energy devoted to denying what has never been seriously advanced was so much energy wasted, except in so far as it may have obscured the issue. It may therefore, perhaps, be well to explain matters a little more clearly for the benefit of those who are, after all, the most intimately concerned, namely, the unbusinesslike clients of impecunious or dishonourable solicitors, who, it may be confidently hoped, represent only a quite small class, but who are none the less on that account entitled to consideration —and very careful consideration. The main advantage of keeping proper accounts, and of having them properly audited at regular and frequent intervals, is that there may be no possible excuse for ignorance as to the true position of affairs. Inasmuch as the true position of affairs can never be ascertained with certainty save by the keeping of proper accounts, and by having them regularly and duly audited, it is little short of astonishing that anyone should be found dull enough to oppose even an inquiry into the desirability of these obvious safeguards being generally adopted.

Where adequate accounts exist, there can be no possible excuse for a person occupying a fiduciary position speculating on his own account with moneys that do not belong to him. In the absence of such accounts there may sometimes be an excuse—if but a poor one—for such irregularities, and it is desirable for every reason that no such possibility of excuse should be allowed to remain. Where the Dual Banking Account System is in force—even although the books be allowed to get behind—it is a physical impossibility for a solicitor to improperly employ moneys that have been entrusted to him as an officer of the Court, unless he draws moneys out of the client's banking account without first making proper inquiries as to whether they are at the bank to the credit of the client against whom they are drawn, and are properly due to the person to whom they are about to be paid. A system which places difficulties in the way of drawing cheques without making this rudimentary inquiry in the first instance has obvious advantages over a system which does not necessitate any such inquiry. What is perhaps more to the point —and it is incomprehensible to us that lawyers should fail to appreciate this—is that the employment of the Dual Banking Account System provides incontrovertible evidence of

intention to defraud where fraud obtains, and thus facilitates the conviction of offenders. This circumstance naturally would make it extremely unpopular as a system with those who desire to be left free to commit irregularities, but we are altogether at a loss to understand its unpopularity with those whose *bona fides* are beyond suspicion, save on the grounds of ignorance and natural dislike of change of any description. If the motion before the Society had been the clear issue as to whether the Single or the Dual Banking Account System should be employed, one can readily understand that there could be nothing like unanimity of opinion; but that anyone should wish to stifle an inquiry because he personally feels satisfied as to the merits of the matter to be inquired into, does not appear to us to be a line of action to be expected of a body of educated and reasonable men.

For our own part, we do not for one minute suppose that the Committee now appointed will advocate that all solicitors be compelled to adopt the Dual Banking Account System, and we are opposed on principle to the compulsory adoption of any specified form of account keeping, for experience has shown that such compulsion is the death-blow to all improvement in methods of accounting. We think it extremely likely, however, that the Committee will declare that no system of accounts can be regarded as satisfactory which does not clearly show, at any desired moment, the amount standing to the credit of each client in the solicitors' books, and the amount to his credit at his bankers available to meet such liability. They will also doubtless, being business men, report strongly in favour of a regular and frequent professional audit, although quite possibly they may be divided as to the expediency of this being compulsorily enforced. On the subject of guarantees, it seems probable that there will be a greater diversity of opinion; but, for our own part, we hold the view that in one way or another arrangements should be made so that moneys paid to an officer of the Court may be as absolutely protected against the dishonesty or failure of that officer as though they had actually been paid into the Court itself. The expenses of such a scheme of insurance would be altogether inconsiderable, and in view of the fact that failure to arrange some such scheme will undoubtedly materially reduce the volume of moneys passing through solicitors' hands, it is clearly in their own interests that they should seriously see what can be done in the matter.

It is, of course, only to be expected that the present opportunity should have been taken advantage of by certain persons claiming to be members of the accountancy profession for purposes of self-advertisement. Solicitors, however, have sufficient acumen to be well aware that accountants of repute are the least likely to lend themselves to such practices, and thus there would seem to be but little chance of the occasion serving the purpose intended. It is, at least, profoundly to be hoped that this is so, for the essence of the safeguard afforded by an audit is that it should be entrusted to competent persons of good repute. If even an appreciable minority of solicitors were to employ unqualified or undesirable persons to audit their accounts, the result would doubtless prove extremely damaging to accountants as a whole, in exactly the same way that the misconduct of a few untrustworthy solicitors has proved most damaging to all other members of the legal profession. We trust, therefore, that if the

newly-appointed Committee sees its way—as doubtless it will—to at all events very strongly recommend the regular audit of all solicitors' accounts, it will go further, and make its recommendations effective by clearly pointing out that, for an audit to be efficient, it is absolutely essential that only properly qualified and responsible firms of professional accountants should be employed for the purpose.

Weekly Notes.

Amateur Auditors and Defalcations. A short time since a general meeting of the Scottish Football Association was held at Glasgow for the purpose of considering certain alleged defalcations in the accounts. The chairman explained that the amount involved was £1,800, with which Consols had been purchased in 1899. Inquiry at the Bank of England had now elicited the fact that these Consols were sold in September of the same year without the Association receiving credit for the proceeds. The accounts had been regularly audited from time to time, but the amateur auditors were apparently ignorant of the fact that Consols is an inscribed stock, and thus from year to year accepted the purchase note as evidence of the existence of the asset. It is somewhat surprising that it should have been found possible to discover two Scotchmen so incautious as to certify anything without full inquiry, but we have here, of course, another instance of the fallaciousness of attempting to economise in small ways. For a nominal fee the accounts could doubtless have been audited by a Glasgow firm of Chartered Accountants, in which event we may be quite sure that this question would not have arisen.

After-Acquired Property. A recent issue of *John Bull* devotes a whole page to the consideration of the hardship sustained by an undischarged bankrupt whose bankers had peremptorily closed his account on learning of his actual position. While duly appreciating the niceties of the legal position that might arise in consequence, and while, of course, not losing sight of the fact that an undischarged bankrupt is free to deal with his after-acquired property until the moment that his trustee intervenes, we may mention that there is no obligation upon a bank to open or to continue an account with any private individual. Most banks of repute not unnaturally prefer to make some inquiries as to means before opening an account at all; but, apart altogether from this, the inconveniences of an account which at any moment may have an embargo placed upon it by a trustee in bankruptcy are sufficiently real to make it quite open to question whether as a matter of business an account of that description could ever be worth having, no matter what its magnitude in the meantime. In connection with this subject we may point out that the recent decision in *Be Bennett* (*Accountant* Law Reports, XXXV., p. 82) is, in spite of the apparent contradiction, strictly in accordance with the well-known doctrine of *Cohen v. Mitchell.* That doctrine exists not for the benefit of the undischarged bankrupt, but for the due protection of third parties acting in good faith and for value. Such a doctrine could not possibly be extended to provide equal concessions to the recipients of free gifts.

Stock Exchange Prices at the end of 1906. It is of interest to note that, with the exception of Middlesbrough and Sheffield, the Stocks of all English local authorities show a fall in prices at the end of 1906, as compared with the 31st December 1905. The shrinkage varies from 1 per cent. in the case of the Somerset County Council, and Bristol, Eastbourne, Penzance, and West Ham Corporations up to 4 per cent. for Birmingham and London (2½ per cent.), while for London County Council 2½ and 3 per cent. the fall is no less than 5½ per cent. Upon the average, British and Indian funds are down 2·7 per cent., foreign and colonial municipal securities down 2·6 per cent., home corporations down 2·4 per cent., while gas issues show an average decline of 8·4 per cent., insurance shares 16·0 per cent., and brewery securities 17·9 per cent. The last two can, of course, be readily explained, quite irrespective of considerations affecting the money market; but, upon the whole, it seems somewhat surprising that municipal stocks should be standing as well as they are.

The Law's Delays. Upon the opening of a new legal term it is quite the usual thing for us to have to chronicle a substantial increase in the number of cases awaiting trial, but it is not often that the arrears accumulate to such an extent as at the opening of the

Hilary Sittings on the 11th inst. In the Appeal Court 345 cases are awaiting trial, against 275 a year ago. The arrears in this division, which for the past three years have exceeded the arrears in the Chancery Division, are greater than at any time since 1903. In the Chancery Division there are 310 cases awaiting trial, against 223 a year ago. It is necessary to go back to 1901 in order to find a time when the congestion of this Division was greater than it is now. In the King's Bench Division there are 714 cases awaiting trial, against 619 a twelvemonth since, and the total is considerably larger than in any of the six previous years, while the Divisional Court shows an equally serious condition of affairs, there being 266 cases on the list, against 170 at the commencement of the Hilary Sittings in 1900. It is only fair to add, however, that there were 289 cases awaiting the decision of the Divisional Court at the commencement of 1906. The point is the more serious, however, in that there are in the King's Bench list no less than 177 matters which were set down for trial in January or February of last year, and which have been thus practically a year awaiting their turn.

A New Trustee Stock. In accordance with the provisions and restrictions of Sections 2 (3) of the Trustee Act, 1893, New South Wales 3½ per cent. Stock (1930-50) has now been added to the list of trust investments authorished by that measure.

Insurance Rates in Western Australia. For the past eight years there has been a fixed fire insurance tariff among the various offices doing business with Western Australia. This agreement, however, suddenly broke down at the commencement of the present year, and as a result rates have been cut down almost to vanishing point, many lines having been completed at one-fourth of the tariff prices. In one particular case it is stated that premiums which formerly amounted to £328 7s. 6d. per annum will be reduced to £22 10s. 6d. Those, however, who consider something besides the immediate superficial saving of expenditure would perhaps do well to ask themselves whether there is any possibility of business conducted at such prices resulting in a reasonable margin of profit to insurance companies. In the absence of such an assurance it is obvious that it would be most imprudent to place the business with any offices other than those whose accumulated reserves are sufficiently abundant to absolutely guarantee their ability to carry out their contracts.

"The Accountants' Journal"—New Competitions. For some time past our energetic monthly contemporary has been endeavouring to arouse something akin to enthusiasm among accountant students, but with only qualified success. A further attempt is now being made as a result of a recent essay competition asking for suggestions, and a double series of tests extending over three months has been started. Papers are to be acknowledged month by month, but no marks are to be published until the close of each series. All classes are catered for, as the line drawn between the two papers is the Intermediate Examination of the Institute or Society; and, from the questions which have already appeared, we think their educational value is to be commended. Our readers will doubtless wish our contemporary a hearty success in its efforts to fire the student ranks, and they can do much to help that success by recommending the tests to their student friends.

Consolidated Rates at Hull. The ideal rating system has often been said to be one general rating authority, one assessment, one rate, one collection system, and one audit, but the Local Government Board's attitude has not been friendly towards this method. The city, of Hull has, it is reported, made a decided move in the direction of reform, and a rough outline of the scheme is given by a correspondent in *The Municipal Journal*:—

"(1) The joint operation of the two Poor Law parishes in the city with the City Council.

(2) The creation of a new office—rating superintendent—by the election thereto of the senior official of Sculcoates parish.

(3) The retirement on pension or promotion of senior poor law servants of the Holy Trinity and St. Mary parish.

(4) The uniformity in all the city's assessments thus obtained by one responsible official.

(5) The consolidation of the separate staffs for corporate and poor rates collection.

(6) The immense simplification of the accounting system.

(7) The abolition of the ancient form of counterfoil receipt and demand note.

(8) The initiation of a complete *independent* continuous audit system."

Although one parish only has seemingly adopted the new scheme, it is hoped that the other district will not be long aloof, and thus enable a consolidated rate to be something quite within the bounds of possibility.

Mr. Haldane on Economics. The International Economic Congress convened by the Royal Economic Society, was welcomed by the Right Hon. R. B. Haldane, M.P., at the London School of Economics last week. In his presidential address Mr. Haldane is reported to have said that whatever other differences there might be between the various nations there was a brotherhood, the reality of which was asserting itself more and more as year succeeded year—the brotherhood of science. We were recognising to-day that international co-operation was essential, and in no department was this tendency more marked than in the department which dealt with the science of the State. He cautioned his hearers to guard against a certain narrowness, which came from the lack of international co-operation, in thinking out great questions of science and statecraft, and he reminded them that a conclusion with regard to this island was not of necessity, of logic, true of other countries which had come to different conclusions. Economic questions must be worked out with reference to the circumstances of each nation; they could not draw inferences from one case to another without careful comparison of conditions. During the week the Congress discussed the question whether site values should be the basis of local taxation, and the small holdings problem.

Railway Statistics. An interesting article appeared in a recent issue of *The Railway Gazette*, which should not be overlooked by those interested in the problem of making British railways more effective. First and foremost in this direction stands the question of adequate statistics. Much has already been written on this subject without any apparent result beyond, perhaps, the negative one of conversion as regards belief; but, perhaps, the report of the Board of Trade Committee, now considering the present statutory form of accounts and the dependent statistics, will effect a move when it is published. Two points made in the article in our contemporary—which, by the way, is mainly descriptive of the British and American railway daily returns for checking freight traffic with a view to economic working—are worth quoting. One is to the effect that "the terminal cost is the constant and the length of haul is the variable," and the other cites the fact that, in this country, locomotives and rolling-stock are not provided for the traffic but the traffic has to be adapted to them. These are important questions, and will furnish much food for thought to the earnest student of transportation.

The Taxation of English Companies in France. A well-attended special meeting of members of the London Chamber of Commerce was held recently for the purpose of considering what representations should be made to the Secretary of State for Foreign Affairs relative to the Bill which has been deposited by the French Government in the Chamber of Deputies affecting foreign companies trading in France. We have already commented upon the Bill in these columns, and there will, therefore, be no necessity to outline the causes of the dissatisfaction. From a report of the proceedings we understand that there was no desire to show hostility in any way; the arguments may be summed up as follows:—

(1) Law levelled at French companies registered as English companies in London.

(2) What was meant by the establishment of a branch.

(3) If Act passed French branches would be closed, and business done with agents.

(4) Objection to disclosure of private affairs by publication of Balance Sheets of non-public companies, unless all French companies were also brought within the clause.

(5) New law should relate to new companies, and not be applicable to established concerns.

(6) Leading French banks were opposed to the law because they foresaw that it would seriously hamper British companies.

(7) French companies in England were not subject to such a tax, and a *quid pro quo* should be given.

It was ultimately resolved that a deputation should wait upon the Foreign Office and lay before it the views of the Chamber.

Points in Company Law. Two interesting cases came before Mr. Justice Warrington last month. In the first instance (*Re Cyclists' Touring Club*) an application was made under the Companies (Memorandum of Association) Act, 1890, asking the Court to sanction an alteration of the memorandum of association of the Cyclists' Touring Club, so as to broaden the basis of the club, and extend the advantages and privileges of its membership to motorists. The club had passed and confirmed a special resolution to extend the objects of the club. The Judge is reported to have said that he was not satisfied that the change was in the interests of the club generally, and he was bound by the Act to have regard to the interests of all. In addition to this, he could not take the votes given at the meetings

really representing the views of the club as a whole. The real ground upon which he should refuse to sanction the alteration was because it did not come within the Act at all. The proposed alteration would alter the business of the club completely, and would cause the promotion of the benefits to cyclists to cease to be the main object of the club. It seemed to him that one of the objects of the club was to protect cyclists against motorists; if the two businesses were combined cyclists could only protect themselves against motorists by taking proceedings against members of their own class. The protection of cyclists could not be combined as a business with that of the protection of motorists. The second case (*Re Furriers' Alliance, Lim.*) presented a peculiar point. This was a petition presented by a shareholder for an order to wind up the company on the ground that it was just and equitable, within the meaning of Section 79, Subsection 5, of the Companies Act, 1862, that the company should be wound up. The articles provided that the number of directors should not be less than two nor more than three, two to be a quorum. A. and B. had been appointed the first directors, but they had failed to agree in the carrying on of the business of the company, hence the present petition. For the petitioner it was argued that there was an absolute deadlock, as the two directors could not agree on any single subject, and that the company could not be carried on under such conditions. The Judge said that he came to the conclusion that, under the articles, there was power to appoint a third director in the circumstances which existed in the case, and while it might be said that there was a deadlock between the two, it must be remembered that there was an authority which could be invoked — namely, the authority of the majority of the shareholders of the company. It seemed, therefore, to him that the deadlock was only of a temporary character, and as it was possible under the articles to appoint an additional director there might be no deadlock at all, and the business of the company could go on. The present case, therefore, did not, in his opinion, come within the limits of the Act, and the petition must be dismissed, with costs.

The Examination Results. The results of the recent Intermediate and Final Examinations of the Institute, which were announced in our last issue, show an exceptionally large number of failures—namely, 32·2 per cent. in the former, and 43·1 per cent. in the latter, or some 20 per cent. more than usual. We rather anticipate that this serious increase in the number of unsuccessful candidates, especially at the Final Examination (where failure is naturally a much more serious matter), may have been caused by certain of the questions set in some of the examination papers. The Partnership paper is long, and besides asking for a complete *pro formâ* set of Cost Accounts and an explanation of the principles upon which they should be based—a question that would take a very long time to answer satisfactorily—contains two questions, Nos. 5 and 6, which are of little value for practical purposes, while the last-named is framed in a very confusing manner. No. 10 also is not without exception, in that it asks for a form of Journal suitable for recording certain specified transactions when opinions differ considerably as to the Journal being a suitable means of record therefor. The "Rights and Duties" paper contains two questions, Nos. 7 and 8, which are rather pointless; the Executorship paper repeats the same question about Cost Accounts contained in the Partnership paper, while No. 6—in spite of its length—is deficient in detail. We think it improbable that anyone can have answered all the questions set at these three examinations in a perfectly satisfactory manner. Comparatively speaking, the Auditing paper was harmless, if undistinguished, while the two legal papers were, upon the whole, quite fair.

Registration for the Profession. We should like to point out to our correspondent "Pro-Registration," whose letter under the above heading appeared in our last week's issue, that the title "accountant" was in existence long before there was an accountancy profession as at present understood, and that therefore it is impracticable to look for any legislation restricting the use of the term "accountant" to professional accountants. It would be as reasonable—and even more reasonable—for members of the clerical profession to agitate for legislation to confine the designation "clerk" to members of their order. If professional accountants desire to have the exclusive use of some distinguishing name, there is, as we have already pointed out in these columns, nothing for it but for them to invent a new name of their own which has not been already appropriated in another connection. There would be an excellent precedent for this, in that the expression "solicitor" is of, comparatively speaking, modern origin; moreover, the term "accountant" only

quite incompletely describes the nature of the duties devolving upon members of the accountancy profession.

The Long Vacation. At a Council of all the Judges of the Supreme Court held at the Royal Courts of Justice on the 11th inst., the Lord Chancellor presiding, it was decided to alter the date of the beginning of the Long Vacation from August 13th to August 1, and to advance the commencement of the Michaelmas Sittings from October 24th to October 12th. A Committee of Judges was appointed to consider details, and to prepare an Order in Council, and it is expected that the alteration will come into effect this year. The change will undoubtedly be greatly appreciated by business men, who have in the past been too frequently compelled by pending litigation to remain in town a fortnight after their dead season has commenced. The anomaly of the Courts sitting on a legal Bank Holiday will also be done away with.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Use of Title "Chartered Accountant" by Persons not having taken out their Certificates.

(*To the Editor of The Accountant.*)

SIR,—Having been asked now and again to audit the accounts of small charities, I wish to ascertain, through your paper, whether it is in accordance with professional etiquette to sign oneself "Chartered Accountant" without having ever taken out a certificate of practice. Needless to say, there is no remuneration for the work.

There is a further question which occurs to me, though it does not affect myself. If the auditor of a small limited company were an A.C.A., who is not in practice, may *he* avail himself of his qualifications and certificate?

I enclose my card, and remain,

Yours faithfully,

January 10th 1907. JUVENIS.

[All members of the Institute are entitled to describe themselves as such.—ED. *Acct.*]

Succession Duty.—Capital or Income.

(*To the Editor of The Accountant.*)

SIR,—I shall be obliged if any one of your readers will kindly give me an opinion on the following matter:—"A.," on attaining his majority, becomes a tenant-for-life in a portion of an estate, with a power of appointment over such portion. Succession duty, computed on the value of an annuity on "A.'s" life, producing an income equal to the annual income derived from the estate, is paid. Should this duty be charged against capital or income?

Thanking you in anticipation of an insertion of this letter in your valuable paper,

I am, yours faithfully,

H. R.

The Rights of Creditors.

(*To the Editor of The Accountant.*)

SIR,—A case, short particulars of which are as follow, has recently come under my notice, and I should be much obliged if you could advise me as to the best course to be taken.

"A." was a manufacturer who carried on business on his own account, and after a certain period, either through bad management or some other reason, he got into difficulties and became a bankrupt.

The bankrupt "A.," whilst still undischarged, again went into business, this time in his wife's name, presumably as manager. The business of the wife's we will call "B." This business was run for a certain length of time, but unfortunately the time came when it could no longer meet its liabilities. The business "B." (it is understood by the creditors) had been run on the hire-purchase system, as to the purchase of the machinery and room, and the landlord eventually closed the place down when the payments got behind.

When the business "B." was stopped, the liabilities ranked at about £500, being three creditors: No. 1, about £180; No. 2, £213; and No. 3, about £100. Previous to the business "B." being absolutely stopped, the creditor No. 1 came forward and tried to form some

plan for the working of the business by the principal creditors, but the idea was not taken up.

Almost immediately after the suggestion of creditor No. 1 had been made and not accepted, the business "B." was closed down. No report of any kind was offered to the creditors nor any statement of accounts furnished. If there were any available assets at all the creditors know nothing of them.

When the business "B." is stopped a limited liability company is at once formed by creditor No. 1, in the name of the son of debtors "A." and "B." "A." is taken in as manager, and his son keeps the books and does odd work in the warehouse. The creditor No. 1 signs every cheque himself, and the signatories to the memorandum are composed of himself, his brothers, and his agent in the town where the limited company is carried on. The debtor "A." and his son are empowered to endorse cheques for the purpose of paying remittances into the bank. The limited company carry on their business in the same room as formerly occupied by the firm "B.," and run exactly the same machines which the firm "B." worked, which for a period they have hired from the landlord, it is understood, by an arrangement, to be taken on the hire-purchase system at a later period.

The points I wish to know are:—

Can the creditors of the business "B." obtain a statement of affairs at the date of ceasing business by any other means than that of a bankruptcy notice, after a final judgment?

If this could be obtained it could be seen whether there were any existing assets at the date of "B.'s" closing of business (the most likely of which is stock), and, if so, whether the newly-formed limited company has perhaps taken them over, thus taking upon itself the existing liabilities also. The difficulty in this case is that if bankruptcy proceedings were taken against "B." no satisfaction whatever would be obtained, but if the limited company—which has practically taken the old business, with *primâ facie* no assets, and purposely leaving out the liabilities (creditors)—could be fixed with having actually taken over this business with its liabilities, satisfaction could be obtained.

Thanking you in anticipation of your advice,

I am, yours faithfully,

January 16th 1907. C. B.

A Question of Probate.

(*To the Editor of The Accountant.*)

SIR,—I should be exceedingly obliged if you would give me a little information on the following point An old gentleman (who had three sons and a daughter) was enticed by a young lady to marry her, and to carry out this object she had him taken to church in a Bath chair, he being unable to walk, and practically an imbecile. Immediately the marriage had taken place she began to sell his property, and induced him to execute a will entirely in her favour. He very soon died, and his children entered a caveat against the probate being granted. I understand that the caveat only remains in force six months. What is the next move the children should make, and must it be done collectively or by the eldest son? I take it that it would be no use to apply for letters of administration until the caveat has been disposed of. Will you be so good as to briefly explain the usual procedure on this matter.

Yours faithfully,

January 15th 1907. ARA.

[Tbe "usual procedure" is to consult a good solicitor, and abide by his advice.—ED. *Acct.*]

Nottingham Chartered Accountants Students' Society.

The Principles of Percentages of Cost as Applied to Various Businesses.

By Mr. W. H. Fox, F.C.A.

A MEETING of the above Society was held at the Victoria Station Hotel, Nottingham, on Friday, the 16th November 1906, when Mr. W. H. Fox, F.C.A. (of the firm of Fox, Sissons & Co., London), gave a lecture under the above title. Tea was provided at the invitation of the senior Society, over which Mr. S. P. Derbyshire presided.

Mr. T. G. Mellors took the chair at the subsequent proceedings. He said that the question of percentages was a rather difficult one, and he was quite sure the evening would be well spent in considering them as applied to various businesses.

Mr. W. H. Fox said: The Chairman has mentioned to you the subject of the lecture. The scheme I have adopted is as follows—I have taken four different businesses, the figures of which we will consider together, although I am afraid it will be impossible to exhaust all the possibilities of these in detail in the half-hour we can devote to the subject to-night.

I have had the four sets of accounts printed and they are in your hands in order to enable you to follow the figures, which we shall proceed to discuss. The four sets of accounts are marked A, B, C, and D, and begin in a simple form, becoming more complicated as we proceed.

The first business "A" is a very simple one, that of dressmaking. The second "B" is an accountant's business, the third "C" is that of paper-making, and the fourth "D" is that of brewing. These are not the actual figures of existing businesses, but are arrived at by taking an average of various actual figures and relate to different periods.

Before discussing these figures I should like to make a few preliminary observations, and the first question we have to ask ourselves is: What is the best plan of dealing with percentage statements from a practical point of view, and a point of view which will be most useful to our clients? We can sit down and multiply complicated percentage statements of all sorts, and some accountants are, I think, rather inclined to do that. We should, however, carefully consider what is the best form in which we can prepare and arrange figures which our clients can make use of, and on which we can advise them.

The next question arises:—Are we to take the percentages on the "Sale" or on the "Cost" totals? On that point my view is that the manufacturer or trader works out his own costs, and having arrived at the cost of a particular article, he decides how much he can add on before he reaches the figure which he can charge his customer. Of course, he adds as much as he reasonably can, but the competition in trade of other manufacturers will prevent him obtaining an unreasonable price for the articles dealt in.

After this we, as accountants, come in to check the books, and if we are to make any complete and useful statement of percentages for our client, the calculations must be taken upon the amount of the *sales*, as only by that means can we obtain the percentage figures of the various items of cost and the useful percentage figure of net profit, which go to make up the total.

One often hears people ask this sort of question: "Supposing an article is bought for £100 and sold for £125, what is the profit per cent. on that article? Now there are two answers to that. First of all, the profit figure of £25 represents 25 per cent. on the cost, but it is only 20 per cent. on the sale price.

If, again, the article is bought for £75, and sold for £100, there is still a profit of £25, but the percentage is 33⅓ per cent. on the cost, and 25 per cent. on the sale price.

There is, therefore, always a specific relation between the profit percentage on the cost and the profit percentage on the sale price, and on working this out we arrive at the following axiom, viz.:—

"That a trader cannot make more than 100 per cent. profit on the amount of his sales, and he cannot lose more than 100 per cent. on his cost."

There is a converse to this proposition, viz.:—That there is no limit to the percentage of possible loss taken on the sale price, and there is no limit to the percentage of possible profit taken on the cost price. In order that you may realise my meaning I have prepared two short tables as follows:—

TABLE I.

Sale Figure	Cost Figure	Amount of + Profit or − Loss	Percentage of + Profit or − Loss on Sale Figure	Percentage of + Profit or − Loss on Cost Figure
£	£	£	%	%
100	Nil	+ 100	+ 100	Nil
100	1	+ 99	+ 99	+ 9,900
100	10	+ 90	+ 90	+ 900
100	25	+ 75	+ 75	+ 300
100	50	+ 50	+ 50	+ 100
100	90	+ 10	+ 10	+ 11·1
100	100	Nil	0	0
100	110	− 10	− 10	− 9·09
100	150	− 50	− 50	− 33⅓
100	500	− 400	− 400	− 80
100	1,000	− 900	− 900	− 90
100	10,000	− 9,900	− 9,900	− 99

TABLE II.

Cost Figure	Sale Figure	Amount of + Profit or − Loss	Percentage of + Profit or − Loss on Cost Figure	Percentage of + Profit or − Loss on Sale Figure
£	£	£	%	%
100	Nil	− 100	− 100	Nil
100	1	− 99	− 99	− 9,900
100	10	− 90	− 90	− 900
100	25	− 75	− 75	− 300
100	50	− 50	− 50	− 100
100	90	− 10	− 10	− 1·1
100	100	Nil	0	0
100	110	+ 10	+ 10	+ 9·09
100	150	+ 50	+ 50	+ 33⅓
100	500	+ 400	+ 400	+ 80
100	1,000	+ 900	+ 900	+ 90
100	10,000	+ 9,900	+ 9,900	+ 99

You may find it interesting and instructive to work out a similar table for yourselves at leisure.

We will now consider the figures contained in the Statements of Account A, B, C, and D, copies of which you have before you.

These show more or less the results of actual trading, and if you have any business of the nature I have mentioned you will find it useful to have a percentage statement by which you may be enabled to check the trading figures actually arrived at by your client.

Dressmakers' Accounts.

The Statement "A" on the first page contains the figures of a dressmaking business.

We have first of all the ordinary Profit and Loss Account, which is prepared from the Trial Balance and marked A^1. A^2 is a Profit and Loss Account adjusted for the purpose of preparing a percentage statement, and A^3 is a percentage statement for four years.

First of all in A^1 the amount of the Stock and Materials is	£305	0	0

That is marked with an asterisk, which means that it is one of the figures which falls to be altered in arriving at the figures on which the percentage statement is finally based.

We have then Work in Progress on the 1st January	26	0	0
Materials Purchased	1,170	0	0
Wages	605	0	0
Rent, Rates, &c...	212	0	0
Miscellaneous Expenses	245	0	0
Abatements	40	0	0

Then you will observe the profit 7.68 per cent. which is calculated on the basis of the total credit side of the Profit and Loss Account, which, however, on further consideration, you will admit is wrong. The percentages should be calculated on the net figure of the Sales, and the profit percentage should be 8.85 per cent. This, as you will see, is because the amount on the credit side is reduced and the profit remains at the same figure, therefore the percentage is increased.

Now we have the Stock and Materials on the debit side at the beginning of the year ..	305	0	0
It appears at the end of the year	313	0	0
That is adjusted, as you see, on the other side, bringing down the	1,170	0	0
Cost of Materials for the year, to	1,162	0	0

We now come to the "Work in Progress." That is taken sometimes as stock, but my view is that any article upon which profit has to a certain extent been earned, being work done by contract and for clients, does not fall to be dealt with in the Profit and Loss Account under the head of Stocks of Materials, but rather under the head of "Sales," as an element of profit will have been included.

You will see the distinction between the credit in the Profit and Loss Account for ordinary materials purchased in stock. and the credit at the end of the year for partly manufactured dresses ordered by customers at the end of the year.

The result of this Work in Progress is that there is at the beginning of the year ..	£26	0	0
And at the end of the year	46	0	0
There is, therefore	20	0	0
For goods partly manufactured to be added to the Sales Account and those original sales of	2,460	0	0
Are brought up to	2,480	0	0
Which after deducting the abatements figure of	40	0	0
We arrive at a result of	£2,440	0	0

Which is that upon which we calculate our percentages of cost and expenses.

In that credit item of £2,440 we have practically the amount against which these various headings of expenses bear a correct ratio.

In A^2 we have an amended figure, viz. :— £2,440 0 0

made up of

Materials adjusted	£1,162	0	0
Wages	605	0	0
Rent, Rates, &c.	212	0	0
Miscellaneous Expenses ..	245	0	0
Profit	216	0	0
	£2,440	0	0

There we have adjusted figures which we can, with confidence, calculate upon. You see the percentage statement in A^3 is for four years. In the first year the figures are given in detail, but for the other years the percentages simply are shown, comparing year by year. A separate statement of the various figures year by year of which the total is made up can be separately prepared, if desired, for the purpose of comparison.

Accountants' Business.

Now let us refer to Statements B^1, B^2, and B^3, relating to the business of an accountant. You will find here some actual figures, the results of which perhaps are not very far out, in actual practice the profits from the percentage statement appearing at an average of about 50 per cent. I am given to understand that in this part of the world (Nottingham) the expenses are so low and the fees so high that a very much increased rate may be expected. However, I can only give you the figures for what they are worth, and whether the profits are above or below the average locally obtained must be left to your own individual experience.

We will run through the figures. First of all B^1 is the ordinary Profit and Loss Account for the year 1907. B^2 is the Profit and Loss Account adjusted for calculating percentages of cost. B^3 is the percentage statement, showing in this case rather more details than appeared in the previous statements of account.

Let us begin by considering the *Dr.* side of the Profit and Loss Account:—

Time Balances at 1st January..	*£1,075	0	0
Salaries (less £95 transferred to Office Expenses)	*1,845	15	9
Rent	350	0	0
Fuel, Lighting, and Housekeeper	93	6	8
Salaries (Office)	95	0	0

Which is the charge for members of the staff who attend to office work, keeping Time Ledgers, Clients' Ledgers, Petty Cash Ledgers, &c. (not the Private Ledger, because the principal keeps that). It may be a question whether it is worth while charging that special item to the office instead of allowing it to remain in the Salaries. I think,

however, it is because of the close attention called to it year by year. It shows how much time has been spent, and as salaries go up, and experience is gained, it is probable that the member of the staff who attends principally to the office books may be put on more remunerative work, and some younger man may be put into his place.

Office Books	24	7	3

I do not think any of these other figures call particularly for attention.

The Stationery Account (balance)	23	0	6

comes next. I would recommend that stationery for Clients' Accounts, whether it is contract work including stationery and disbursements, or whether it is special time charges in addition to stationery, should always be charged to the Clients' Account, in order that the firm may see at the end of the year whether the stationery is properly looked after. Here the debit would appear to represent the actual paper, pens, &c., used in the office. Of course, one may purchase a good deal of office paper, pens, and ink, &c., for £23. and if there is some leakage in the stationery and sundries the figure in the Profit and Loss would call attention to it.

Stamps and Telegrams (Office)	33	7	1

are rather large.

Travelling Expenses (Office)	20	7	8

I am not quite sure why so much is spent on office travelling.

Repairs and Depreciation	105	8	3

are rather heavy.

Interest	90	0	0

That must be for some special arrangement.

Institute Subscriptions..	10	10	0

You will see there are two F.C.A.'s in this office.

Law Costs	35	15	0
Sundries	73	1	10
Abatements and Bad Debts	*356	8	9
Clients' Disbursements, included in Accounts delivered	575	6	0
Interest on Capital (not charged)	—		

Those items marked with an asterisk will be altered in arriving at the correct figure upon which we are to calculate our percentages.

Total of *Dr.* items	£4,806	14	9
Profit balance	2,700	0	0
	£7,506	14	9

On the credit side we have—

Fees and Charges	5,361	14	9
Time Balances at 31st December	2,045	0	0
Proportion of Premiums Account	60	0	0
Interest on Investments	40	0	0
Total of *Cr.* items	£7,506	14	9

Our object is now to bring our credit side of the Profit and Loss to such a figure that we can properly charge our percentage of costs against it. There is an item here, first of all. Time Balances. They are to be valued at not too high a price, but a reasonable figure, taking into account their probable realisation. The interest we alter by the deduction of the Interest on Investments. The Salary Account is not fixed, because we deduct the proportionate premiums received from articled clerks, and one-fifth of that amount is credited to Salaries.

Then we have Abatements and Bad Debts, £356. I have deducted that from the Fees and Charges instead of showing the item separately as a bad debt in the percentage statement. In an accountant's business, if the account becomes bad before the work is completed it is better not to bring it in to the Clients' Ledger at all, in which case the Credit on Fees Account would be proportionately reduced, and it appears to me to be the better plan, assuming the account has actually been rendered and debited to the client, to reduce the amount of the Fees Account in the same manner, instead of treating it on the debit side of the Profit and Loss Account as an item of cost. It is not quite like a trading debt where a man has sold goods that cost him perhaps £80 and he expects to get £100. In that case there is £80 actual loss. I think in the case of an accountant the proper plan is also to deduct the abatements from the Fees Account. That is a question upon which I should be glad to hear the views of those present.

I am more inclined to that view for the following reason, viz.:—that it is a great mistake for an accountant to sue anybody for work done. If a man won't pay I should always write it off and close the account as quickly as possible. I did once many years ago sue a man for £25; it cost me about £150 to do so, and the man became bankrupt, and there was little, if any, dividend. If a client will not pay, treat him as Dogberry advised, viz.:—"Let him go, and thank God you are rid of a knave." (Laughter.)

We now have the net figure of £5,400. The percentage on the gross credit side of B1, before the figures were adjusted, came to 35 per cent. profit, but on the adjusted figures, however, as you see, it comes to 50 per cent.

Paper-Makers' Accounts.

If you turn to Section C, this is a paper-making business, and the summary of ordinary Profit and Loss Account appears as C1. Here the items that have to be adjusted are Stock of Paper, Stock of Materials, Materials Purchased, and Wages, which all require to be altered.

As the percentages stand on the unadjusted credit side of the Revenue Account, the profit figures are 14.42 per cent., and this is brought on the amended figures to 26 per cent., showing it would not do at all to take the credit side of a Profit and Loss Account as it stands with a view of calculating percentages upon it.

This is a rather more complicated account than the two preceding accounts, but you will be able to follow out the figures in detail on the statements. What I want particularly to call your attention to is the last statement, C^4, which shows the manner in which the figures appearing in the original Profit and Loss Account have to be adjusted and amended for the purpose of calculating percentages.

We first have Materials Purchased, showing the details of £1,700. We have Wages paid of £1,200. Looking back, we find there is an increase in Stock and Materials. This is not an increase of manufactured stuff, but consists of materials which we can identify and adjust, especially over each item of outlay on materials.

We have a total of £200 increase in Stock of Materials, and these are distinct figures. If we deduct this figure we come to the third column, showing the total net amount used in manufacture £1,500. Referring back once again to C^1, you find we begin the year with a stock of manufactured paper of £1,200, and we finish the year with a stock of paper of £2,000; that means that we have made £800 cost value of paper that remains unsold, and here comes rather an interesting little calculation.

We have to deduct £800 proportionately from the net amount of materials used in manufacture and the amount of the wages spent, because the wages to a certain extent have been expended in actually making paper that has not been sold. If we take what percentage 800 is upon £2,700, we have a figure of 29.63 per cent. Each of these items of expenditure all have to be reduced proportionately. You will find 29.63 per cent. of the £1,500 Materials represents £444 8s. 10d., and 29.63 per cent. of £1,200 for Wages represents £335 11s. 2d. These two amounts added together make up the £800, which we have proportionately to deduct. Then we have the last column in C^4, the net amounts chargeable against paper sales for the year.

You will find the net figures of £1,055 11s. 2d. for Materials and £844 8s. 10d. for Wages appear in C^2.

The profit of £802 on Sales of £3,000 represents 26.74 per cent., which is the correct percentage profit, as against 14.42 per cent. obtained from the figures originally calculated on the unadjusted credit side of the Revenue Account.

Brewers' Accounts.

Now to come to D^1 and D^2. These are the figures of a brewery. We need not go in detail through the figures in D^1, which are prepared from the Trial Balance. In D^2 I would call your attention to the fact that the outlay is marshalled under different headings, viz.:—"Materials and Duty," "Production expenses," "Delivering expenses," and "Fixed charges, Depreciation and management."

The account is totalled up on both sides before we come to the end of it, because the figures we want to get at are the figures connected with brewing, and not the outside departments of Wines and Spirits and Mineral Waters.

So we have net Sales of Beer, £33,914; Total Cost and Expenses, £28,020; and Brewery Profit, £5,894, and we have our figures arranged in readiness for the percentage calculations to be made.

Now we have here a percentage statement which is practically on the same lines as the previous statements, except that we have in detail the percentages of each class of our outlay, and the total of this adds up to 100 per cent.

I do not know that there is anything particularly instructive to be gained by going through these figures in detail. You will have the opportunity of doing so at your leisure, but the brewery profit is stated here to be 17.38 per cent. for 1907, and for the three previous years 12.77 per cent. 16.74 per cent., and 18.81 per cent. These figures represent a summary of several breweries which I have had the opportunity of seeing the figures of. I have put different years to them, for I am afraid the results in 1907 will not be much better than in 1906 and 1905, because brewing profits have gone down considerably during the past few years; in fact, nobody seems to drink beer at all nowadays, and the Chancellor of the Exchequer will be at his wits' end, when he prepares his next Budget, to know where to look for additional sources of revenue.

We come to D^4 for a special percentage statement. These figures were prepared some years ago, and would not show the actual results of the present day, because hops have been greatly varying, and malt also, and various costs have been going up very much in comparison with the sales.

However, we can here follow out the different classes of beer brewed, viz.:—X X X, I P A, P A, X X, X, double stout, and porter. To arrive at these figures a great number of tables had to be prepared, but the Summary reproduced is apparently sufficient to consider for the moment. The net profits on the beer sold naturally have to be adjusted on the difference in the stock at the beginning and the end of the year. As a rule, brewers do not vary much in the amount of their stock held from year to year, and the adjustments are not very material in amount. We have in the last column the percentage of net profit to sale price per barrel, and the statement may be examined with advantage.

Different trades, we must remember, have different bases for comparison in preparing statements of cost, and we must adapt the basis of our statement to the requirements of the trade carried on by our individual clients. The

brewer, for example, will take as his basis a barrel of beer, the brickmaker will calculate per thousand of bricks, the maltster per "quarter of malt." The paper-maker would calculate per 100 reams for his detailed statement, and the accountant might calculate the profit "per client."

To show the interest which it is necessary the accountant should take in the particular business of his client in order to be of use to him, one may refer to a point in connection with Brewers' Accounts, and that is the specific gravity of beer. In the old days for calculating the payment of the duty twenty brewers' pounds per barrel of thirty-six gallons was taken as the basis. The specific gravity of the beer was ascertained in that manner—viz., that the malt extract in the beer represented twenty pounds more weight than if the same barrel had been filled with water.

My description is not very scientific, but it may be of some use as showing in which way the inquiries of the accountant should be directed. Nowadays the Government charge duty of 6s. 9d. per barrel of standard gravity, but they do not state the calculation in "brewers' pounds" as formerly. The authorities take 1,000 as the unit represented by the weight of water, and instead of twenty pounds we have an equivalent figure of 1,055. The addition of 55 is 5½ per cent. above the unit of value per 1,000, and you will find that by taking the twenty pounds weight above 360 pounds (viz., 36 gallons at ten pounds a gallon) it works out at 5½ per cent., the same ratio of increase.

I merely give this as an example of the matters you may have to consider and make yourself acquainted with in dealing with the accounts of any particular trade.

In the lace trade, you gentlemen in Nottingham probably know that you require a special form of percentage statement, and there, of course, the question of depreciation is a very serious one in dealing with the elaborate machinery employed.

One has to bear in mind as far as possible all the various conditions of the business in order to render the percentage statements to the best advantage of the client.

You must also remember that a problem in figures, carefully worked out and proved to one's own satisfaction, will be of far more advantage to the student, and also the practising accountant, than any mere book learning.

My contention is that you should also ascertain for yourself all you can as to the nature and operations of the business which you audit or investigate.

I will conclude with the observation that by this means you will not only be able to give specific advice to clients engaged in a particular trade, but you will also be enabled to understand the principles of percentages, and be able to prepare useful percentage statements of cost as applied to various businesses.

A (1).—Ordinary Profit and Loss Account for the Year 1907.

Dr.	£ s d	*Cr.*	£ s d
To Stock of Materials at 1st January	*305 0 0	By Sales	*2,460 0 0
" Work in Progress at 1st January	*26 0 0	" Stock of Materials at 31st December	*313 0 0
" Materials Purchased	*1,170 0 0	" Work in Progress at 31st December	*46 0 0
" Wages	605 0 0		
" Rent, Rates, &c.	212 0 0		
" Miscellaneous Expenses	245 0 0		
" Abatements	*40 0 0		
" Profit (7 68% should be 8·85%)	216 0 0		
	£2,819 0 0		£2,819 0 0

A (2).—Profit and Loss Account for the Year 1907.
(As amended for Calculating Percentages of Cost.)

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d
To Materials Purchased	1,170 0 0		By Sales, £2,460 (less Abatements, £40)	2,420 0 0	
Add Stock at 1st January	305 0 0		*Add* Work in Progress at 31st December	46 0 0	
	1,475 0 0			2,466 0 0	
Deduct Stock at 31st December	313 0 0		*Deduct* Work in Progress at 1st January	26 0 0	
		1,162 0 0			2,440 0 0
" Wages		605 0 0			
" Rent, Rates, &c.		212 0 0			
" Miscellaneous Expenses		245 0 0			
" Profit		216 0 0			
		£2,440 0 0			£2,440 0 0

A (3).—Percentage Statement (4 Years).

£ s d		1907 %	1906 %	1905 %	1904 %
1,162 0 0	Materials	47·62	49·78	50·02	44·42
605 0 0	Wages	24·80	23·90	24·53	25·38
212 0 0	Rent, Rates, &c.	8·69	7·13	8·45	11·42
245 0 0	Miscellaneous Expenses	10·04	8·11	9·71	8·77
216 0 0	Profit	8·85	11·08	7·29	10·01
£2,440 0 0	Net Sales	100 %	100 %	100 %	100 %

B (1).—Ordinary Profit and Loss Account for the Year 1907.

Dr.

	£ s d
To Time Balances at 1st January	*1,075 0 0
" Salaries (less £95 transferred Office Expenses)	*1,845 15 9
" Rent	350 0 0
" Fuel, Lighting, and Housekeeper	93 6 8
" Salaries (chargeable to Office)	95 0 0
" Office Books	24 7 3
" Stationery Account (Balance)	23 0 6
" Stamps and Telegrams (Office)	33 7 1
" Travelling Expenses (Office)	20 7 8
" Repairs and Depreciation	105 8 3
" Interest	*90 0 0
" Institute Subscriptions	10 10 0
" Law Costs	35 15 0
" Sundries	73 1 10
" Abatements and Bad Debts	*356 8 9
" Clients' Disbursements, included in Accounts delivered	*575 6 0
" Interest on Capital (not charged)	—
" Balance, Profit—	
John Debit ..£1,800 0 0	
Thomas Credit ..900 0 0	2,700 0 0
[35·97 % should be 50 %]	£7,506 14 9

Cr.

	£ s d
By Fees and Charges, Accounts delivered during the year	*5,361 14 9
" Do. do. Time Balances at 31st December	*2,045 0 0
" Premiums Account (⅕th × £300)	*60 0 0
" Interest on Investments	*40 0 0
	£7,506 14 9

B (2).—Profit and Loss Account for the Year 1907.
(As Amended for Calculating Percentages of Cost.)

Dr.

	£ s d	£ s d
To Expenses :—		
Salaries (less £95 transferred to Office Expenses and £60 Premiums Account)	1,785 15 9	
Rent	350 0 0	
Fuel, Lighting, and Housekeeper's Charges	93 6 8	
Salaries (time chargeable to Office)	95 0 0	
Office Books	24 7 3	
Stationery Account (balance)	23 0 6	
Stamps and Telegrams (Office)	33 7 1	
Travelling Expenses (Office)	20 7 8	
Repairs and Depreciation	105 8 3	
Interest (less £40 Interest on Investments)	50 0 0	
Institute Subscriptions	10 10 0	
Law Costs	35 15 0	
Sundries	73 1 10	
		2,700 0 0
To Balance, being Profit carried to Partners' Capital Accounts in Balance Sheet, in the following proportions, viz. :—		
John Debit (two-thirds)	1,800 0 0	
Thomas Credit (one-third)	900 0 0	
		2,700 0 0
		£5,400 0 0

Cr.

	£ s d	£ s d
By Fees and Charges :—		
Accounts delivered during the year	5,361 14 9	
Time Ledger Balances at the 31st December 1907	2,045 0 0	
	7,406 14 9	
Deduct—		
Disbursements on behalf of Clients ..£575 6 0		
Abatement and Debts written off .. 356 8 9		
Time Ledger Balances at the 1st Jan. 1907 ..1,075 0 0		
	2,006 14 9	
		5,400 0 0
		£5,400 0 0

B (3).—Percentage Statement (4 Years).

£ s d		1907 %	1906 %	1905 %	1904 %
1,785 15 9	Salaries (less Office Salaries and Premiums transferred)	33·07	35·46	37·53	30·17
350 0 0	Rent	6·48	7·22	8·05	7·01
93 6 8	Fuel, Lighting, and Housekeeper	1·72	1·47	1·00	1·87
95 0 0	Salaries (chargeable to Office)	1·75	2·00	2·35	1·54
24 7 3	Office Books	·45	·19	·39	·27
23 0 6	Stationery Account (Balance)	·43	·28	·07	
33 7 1	Stamps and Telegrams (Office)	·62	1·09	·34	·60
20 7 8	Travelling Expenses (Office)	·38	·25	·47	·19
105 8 3	Repairs and Depreciation	1·95	1·25	·53	1·00
50 0 0	Interest Account (Net)	·92	·87		
10 10 0	Institute Subscription	·20	·22	·24	·16
35 15 0	Law Costs	·66		2·73	1·15
73 1 10	Sundries	1·37	2·35	1·30	1·04
2,700 0 0	Profit	50·00	47·35	45·00	55·00
£5,400 0 0	Net Fees and Charges	100%	100%	100%	100%

C (1).—Summary of Ordinary Profit and Loss Account for the Year 1907.

Dr.		£ s d	Cr.	£ s d
To Stock of Paper at 1st January		*1,200 0 0	By Sales	3,000 0 0
" Stock of Materials at 1st January		*300 0 0	" Rent Receivable	*60 0 0
" Materials Purchased		*1,700 0 0	" Stock of Paper at 31st December	*2,000 0 0
" Wages		*1,200 0 0	" Stock of Materials at 31st December	*500 0 0
" Expenses		149 0 0		
" Rent, Rates, Taxes, and Insurance		109 0 0		
" Repairs and Depreciation		100 0 0		
" Balance :—				
Interest on Capital	£492 0 0			
Profit	310 0 0			
		802 0 0		
[14·42% should be 26·74%]		£5,560 0 0		£5,560 0 0

C (2).—Profit and Loss Account for the Year 1907.

(As Amended for Calculating Percentages of Cost.)

Dr.	%	£ s d	£ s d	Cr.	£ s d
To Materials used in Manufacture :—				By Paper Sales	3,000 0 0
Rags	25·80	774 1 6			
Wood Pulp	·28	8 8 11			
Scrolls, &c.	1·29	38 14 1			
Size	2·16	64 14 10			
Smalts	3·19	95 14 1			
Ultramarine	·23	7 0 9			
Alum	·35	10 11 1			
Bleaching	·12	3 10 5			
Soda, Soap, &c.	·19	5 12 7			
Coals	1·57	47 2 11			
	35·18%		1,055 11 2		
To Wages :—					
Foreman	2·35	70 7 5			
Vats	14·08	422 4 6			
Dry Workers	5·86	175 18 6			
Salle	3·05	91 9 7			
Rag Loft	2·34	70 7 5			
Packs	·23	7 0 9			
Size Packs	·19	5 12 6			
Bonuses	·05	1 8 2			
	28·15%		844 8 10		
Total Materials and Wages			1,900 0 0		
To Expenses :—					
Carriage	2·67	80 0 0			
Travelling	·10	3 0 0			
Consumable Stores & Petties	1·33	40 0 0			
Accountants	·70	21 0 0			
Stamps and Stationery	·17	5 0 0			
	4·97%		149 0 0		
To Rent, Rates, Taxes, and Insurance :—					
Rates and Taxes	1·33	40 0 0			
Fire Insurance	2·16	65 0 0			
Life "	·13	4 0 0			
	3·62	109 0 0			
Less Rent Receivable	1·99	60 0 0			
	1·63%		49 0 0		
To Repairs and Depreciation :—					
Repairs, &c., Mill & Premises	3·16	95 0 0			
Depreciation, Implements	·17	5 0 0			
	3·33%		100 0 0		
To Balance :—					
Interest on Capital	16·40	492 0 0			
Profit	10·34	310 0 0			
	26·74%		802 0 0		
	100%		£3,000 0 0		£3,000 0 0

C (3).—Percentage Statement (4 Years).

£ s d		1907 %	1906 %	1905 %	1904 %
1,055 11 2	Materials	35·18	33·07	32·18	31·74
844 8 10	Wages	28·15	30·14	29·75	28·93
149 0 0	Expenses	4·97	5·08	5·52	6·05
49 0 0	Rent, Rates, &c.	1·63	2·56	2·00	1·97
100 0 0	Repairs and Depreciation	3·33	3·15	3·25	4·02
802 0 0	Profit	26·74	26·00	27·30	27·29
£3,000 0 0	Net Sales	100 %	100 %	100 %	100 %

C (4).—Detailed Statement Apportioning Stock in 1907.

	£ s d	Deduct Increase in Stock of Materials [500—300] £ s d	Net Amount used in Manufacture £ s d	[29·63% × £1,500] Deduct Apportionment of Paper Stock £ s d	Net Amount Chargeable against Paper Sales £ s d
Materials Purchased—					
Rags	1,200 0 0	100 0 0	1,100 0 0	325 18 6	774 1 6
Wood Pulp	30 0 0	18 0 0	12 0 0	3 11 1	8 8 11
Scrolls, &c.	70 0 0	15 0 0	55 0 0	16 5 11	38 14 1
Size	100 0 0	8 0 0	92 0 0	27 5 2	64 14 10
Smalts	150 0 0	14 0 0	136 0 0	40 5 11	95 14 1
Ultramarine	20 0 0	10 0 0	10 0 0	2 19 3	7 0 9
Alum	20 0 0	5 0 0	15 0 0	4 8 11	10 11 1
Bleaching	10 0 0	5 0 0	5 0 0	1 9 7	3 10 5
Soda, Soap, &c.	10 0 0	2 0 0	8 0 0	2 7 5	5 12 7
Coals	90 0 0	23 0 0	67 0 0	19 17 1	47 2 11
	£1,700 0 0	£200 0 0	£1,500 0 0	£444 8 10	£1,055 11 2
Wages Paid—				[29·63 % × £1,200]	
Foreman	100 0 0	..	100 0 0	29 12 7	70 7 5
Vats	600 0 0	..	600 0 0	177 15 6	422 4 6
Dry Workers	250 0 0	..	250 0 0	74 1 6	175 18 6
Salle	130 0 0	..	130 0 0	38 10 5	91 9 7
Rag Loft	100 0 0	..	100 0 0	29 12 7	70 7 5
Packs	10 0 0	..	10 0 0	2 19 3	7 0 9
Size Packs	8 0 0	..	8 0 0	2 7 6	5 12 6
Bonuses	2 0 0	..	2 0 0	0 11 10	1 8 2
	£1,200 0 0	£ ..	£1,200 0 0	£355 11 2	£844 8 10
Totals	2,900 0 0	− 200 0 0	= 2,700 0 0	− 800 0 0	= 1,900 0 0
				[29·63 %]	[*See* C (2).]

D (1).—Ordinary Profit and Loss Account for 1907.

Dr.

	£ s d
To Stock of Beer 1st January	1,674 0 0
„ Malt used	10,425 0 0
„ Sugar „	719 0 0
„ Hops „	1,893 0 0
„ Beer Duty	6,635 0 0
„ Chemicals, Finings, &c.	229 0 0
„ Rent, Rates, and Taxes	1,254 0 0
„ Licenses Compensation Fund (Revenue)	600 0 0
„ Wages (Brewery) and Beer consumed	1,505 0 0
„ Brewers' Salaries	465 0 0
„ Coals	701 0 0
„ Stores and Utensils	166 0 0
„ Cask Repairs and Depreciation, Corks, Hose, &c.	471 0 0
„ Brewery Premises and Plant, Depreciation	807 0 0
„ Horse Account, Horsekeep, Wagoners' Wages, Harness, and extra Carriage	1,051 0 0
„ Office Salaries, Rent, Audit Fee	849 0 0
„ Pensions	195 0 0
„ Books, Stationery, Stamps, Subscriptions, &c.	152 0 0
„ Bad Debts	329 0 0
	30,120 0 0
„ Returns	378 0 0
„ Discounts and Allowances	962 0 0
	31,460 0 0
„ Net Profit	11,540 0 0
	£43,000 0 0

Cr.

	£ s d	£ s d
By Sales:—		
Tied Houses	23,132 0 0	
Free Houses	8,135 0 0	
Private Road	3,639 0 0	
Beer consumed	348 0 0	
		35,254 0 0
„ Beer Stock at 31st December		1,543 0 0
„ Grains sold (Producing)		403 0 0
„ Finings „ „		74 0 0
„ Yeast „ „		45 0 0
„ Manure „ (Delivering)		35 0 0
„ Rents Receivable		2,546 0 0
„ Wine and Spirit Department		2,500 0 6
„ Mineral Water Department		600 0 0
		£43,000 0 0

D (2).—Profit and Loss Account for the Year 1907.
(As Amended for Calculating Percentages of Cost.)

Dr.

	£ s d	£ s d
To Materials and Duty:—		
Malt (less Grains sold)	10,082 0 0	
Sugar	723 0 0	
Hops	1,904 0 0	
Duty	6,673 0 0	
		19,382 0 0
To Production Expenses:—		
Finings, &c. (less Finings sold) ..	111 0 0	
Wages	1,514 0 0	
Brewers' Salaries	468 0 0	
Coals	705 0 0	
Stores	167 0 0	
		2,965 0 0
To Delivering Expenses:—		
Casks Renewals, Repairs and Depreciation	471 0 0	
Horse Account — Horse-keep, Wagoners' Wages (less £35 Manure sold)	941 0 0	
Extra Carriage	75 0 0	
		1,487 0 0
To Fixed Charges and Management:—		
Brewery Rent, Rates, and Taxes	1,254 0 0	
Depreciation of Plant	807 0 0	
Licenses Insurance	600 0 0	
Office Salaries and Audit	849 0 0	
Pensions	195 0 0	
Books, Stationery, &c.	152 0 0	
Bad Debts	329 0 0	
		4,186 0 0
		28,020 0 0
To Profit:—		
Brewery		5,894 0 0
		33,914 0 0
Wines and Spirits and Mineral Waters	3,100 0 0	
Rentals	2,546 0 0	
		5,646 0 0
		£39,560 0 0

Cr.

	£ s d	£ s d
By Sales		35,254 0 0
Less Returns	378 0 0	
Discounts	962 0 0	
		1,340 0 0
		33,914 0 0
By Wine and Spirit Department—Net Profit		2,500 0 0
" Mineral Waters Department— " "		600 0 0
" Rentals—Brewery and Houses		2,546 0 0
		£39,560 0 0

D (3).—Percentage Statement (4 Years).

£ s d		1907 %	1906 %	1905 %	1904 %
	To Materials and Duty:—				
10,082 0 0	Malt (less Grains sold)	29·73	30·96	29·05	27·13
723 0 0	Sugar	2·13	1·73	2·00	2·48
1,904 0 0	Hops	5·62	6·04	5·95	5·38
6,673 0 0	Duty	19·68	21·70	21·81	20·71
£19,382 0 0		57·16	60·43	58·81	55·70
	To Production Expenses:—				
111 0 0	Finings, &c. (less Finings, &c., sold)..	·33	·32	·43	·53
1,514 0 0	Wages	4·46	5·05	3·71	4·25
468 0 0	Brewers' Salaries	1·38	1·25	1·32	1·73
705 0 0	Coals	2·08	1·27	1·24	1·92
167 0 0	Stores	·49	·34	·39	·52
£2,965 0 0		8·74	8·23	7·09	8·95
	To Delivering Expenses:—				
471 0 0	Casks, Renewals, Repairs, and Depreciation ..	1·39	1·59	1·65	1·42
941 0 0	Horse Account, Horse-keep, and Wagoners' Wages (less £35 Manure sold)	2·77	3·03	2·82	2·97
75 0 0	Extra Carriage	·22	1·14	·96	·58
£1,487 0 0		4·38	5·76	5·43	4·97
	To Fixed Charges and Management:—				
1,254 0 0	Brewery Rent, Rates, and Taxes	3·70	3·83	3·91	3·71
807 0 0	Depreciation of Plant	2·38	2·96	2·56	2·53
600 0 0	Licenses Insurance	1·77	1·90	1·82	1·52
849 0 0	Office Salaries and Audit	2·50	2·45	2·30	1·93
195 0 0	Pensions	·57	·43	·42	·45
152 0 0	Books, Stationery, &c.	·45	·48	·50	·57
329 0 0	Bad Debts	·97	·76	·42	·86
£4,186 0 0		12·34	12·81	11·93	11·57
£5,894 0 0	To Profit (Brewery)	17·38	12·77	16·74	18·81
£33,914 0 0	Net Sales	100 %	100 %	100 %	100 %

D (4).—Percentage of Net Profit to Sale Prices per Barrel Sold.

Class of Beer	Card Prices	Total Cost per Barrel Brewed			Net Profit per Barrel Sold			Percentage of Net Profit to Sale Price per Barrel		
		1893	1894	1895	1893	1894	1895	1893	1894	1895
XXX (Strong Ale)	58/-	52/5¼	46/5¾	46/7½	5/6¾	11/6¼	11/4½	9·6	19·9	19·6
I.P.A. (India Pale Ale)	50/-	46/4¼	40/6¼	38/8	3/7¾	9/5¾	11/4	7·3	19·0	22·7
P.A. (Pale Ale)	36/-	32/2¾	28/7½	27/7¼	3/9¼	7/4½	8/4¾	10·5	20·5	23·3
XX (Mild Beer)	34/-	29/6½	28/3¾	27/6¼	4/5½	5/8¼	6/5¾	13·1	16·7	19·1
X (Table Ale)	30/-	27/7½	26/6	25/9½	2/4½	3/6	4/2½	7·9	11·7	14·0
S (Double Stout)	52/-	46/1½	39/0¼	39/5½	5/10½	12/11¾	12/6½	11·3	25·0	24·1
P (Porter)	34/-	31/6¾	28/9¼	28/4½	2/5¼	5/2¾	5/7½	7·2	15·4	16·5

Sheffield Chartered Accountants Students' Society.

A Suggestion as to the Regulation of Balance Sheets.

By Mr. T. A. Welton, F.C.A.

A paper read at a meeting of the above Society on January 11th 1907.

Much discussion has arisen in the past as to whether the affairs of companies may best be dealt with on the single or double account system. The distinction is between a method which separates what are called capital assets from floating assets in the manner customary in the case of railways, and another method which produces a single Balance Sheet and refuses to so discriminate.

Theoretical debates may be endless, when no practical example is in view, demanding immediate treatment; but so far as I am aware, differences of opinion as to the handling of specific facts are much more rare.

The vital question seems to me to be whether some items in a Balance Sheet require revaluation at every stock-taking, or whether they merely need to be stated at cost, and duly maintained at the expense of Revenue.

The case of a manufacturing concern may be taken as an illustration. There may be a factory (freehold or leasehold), machinery, loose tools, office furniture, stocks of materials, and of goods partly and wholly manufactured, book debts, investments, and cash, to say nothing of goodwill, trade-marks, and patents.

According to my opinion the factory does not require to be continually revalued. If the building be freehold, a sinking fund to provide for its re-erection is desirable. If leasehold, an amount not less than the cost should be sunk during the term of the lease. Machinery and loose tools require also suitable provision for their ultimate renewal, though in some cases small machines and tools rather increase in value in the first year or two, becoming more fit with the using, though eventually, of course, they must wear out.

As respects office furniture, it is usual to write off, say, 5 per cent. per annum.

Stocks of materials may be valued at cost, or at something less than cost, or, in some cases, may be revalued, though any writing up for improved market value would be disallowed by an auditor. Partly manufactured goods are sometimes put down at their estimated actual cost, sometimes at a reduction on that sum. Fully finished articles are often valued at selling prices, less a heavy discount sufficient to bring them below cost.

Book debts may be classified according to their age, and are usually subject to some reserve for losses.

Investments may be upheld at cost, but may also be revalued, and if a reserve be made on the basis of a revaluation the auditor cannot complain. But in such a case as this no profit on revaluation would be allowable.

I think one of the main purposes which should be kept in view is the ascertainment of the year's profit; and where, as in the case of an iron-making concern, one of the permanent features is a large stock of pig iron, I think it is wrong to affect the profit by revaluing at each stocktaking not only the surplus make affecting the year's transactions, but also the old stock at the beginning and end of the period. No advance in value is a valid profit until realised. And a fall in value may be only temporary. I lean to the practice of writing down the minimum tonnage to a low value, less than the point to which it is anticipated a fall might take place after a couple of bad years. Then I should deem *that* a constant factor in the Balance Sheet, and revalue according to the state of the market only the excess on hand, if any.

This, however, is a course rather prudent than exact, and in case of litigation is clearly open to challenge.

My remedy would be a law under which every company is called upon to adopt bye-laws regulating the preparation of its accounts, and providing typical bye-laws to be binding in case the company adopts none of its own making.

I do not forget that circumstances and opinions are liable to change, and should say that the company ought to have power to vary its bye-laws, the variation, like the original bye-laws, to be filed with the Registrar, and to take effect after a reasonable interval of time.

My object in advocating this course is to enable any creditor, or person who contemplates giving credit, to see whether the principles on which the Balance Sheet is to be made up are fair and honest, or the reverse. It might even be right to allow a public officer to veto any clause which might seem manifestly improper. The existence of a good system would certainly operate to the advantage of the company adopting such system.

Then, the year's accounts being made up on exactly the same principles at each end, the resulting profit or loss could not be got rid of.

The relief to the mind of the auditor, of having definite directions on all moot points, must be very great. The captious critic could not set up a doctrine that this or that should have been revalued if the bye-laws did not so require.

It is usual for an auditor to decline to allow profits on investments to be taken if the unsold investments show a probable loss on realisation. But where a company exists for the very purpose of buying and selling shares, it may be proper to value the unsold items at cost whilst taking the results of sales to profit and loss. This would be the subject of a bye-law. Naturally the auditor would like to see provision made for probable losses on unsold stocks. If the bye-laws simply required them to be upheld at cost, the directors would be free to create a reserve out of profit before making a division, but could not write them down.

One feature of any systematic "bye-law" code would be that expert opinion rather than caprice would have to be consulted. Ships, for instance, would be reduced in value by a definite percentage per annum, boilers by a larger percentage, and possibly cold storage fittings at a third rate.

I anticipate that the existing difficulty in the way of legislation on this class of questions would be abated to some extent, and by collecting and comparing the decisions of different companies much knowledge might be gained.

There is good legal authority for the doctrine that the net result of working a mine may be treated as divisible profit, without writing off any capital sum as representing the ore consumed. But in actual practice probably people would provide for sinking capital values in these cases, and in others where the company is equally free from any legal obligation to adopt a conservative course.

Take the case of a patent. Nothing could be fairer than to limit the divisible dividend to 4 or 5 per cent., applying all further profits towards extinction of cost. It might again be right to provide that on the expiry of a patent a valuation be made of the goodwill of the manufacturing business, and that, if such valuation fell short of the unextinguished cost, the difference, and that only, should be debited against profit and loss.

No objection need be made to a certain amount of elasticity in the wording of bye-laws, the main object being to inform creditors and shareholders alike as to how and on what authority decisions are to be made upon questions affecting the preparation of Balance Sheets.

Although an auditor should be held harmless who grounds his procedure on such bye-laws, yet I would require him to certify any departure from sound principle which the accounts disclose, the bye-laws notwithstanding. Such departures would be much more rare than at present, as it takes much less courage to perform an act which might remain undiscovered than to openly proclaim an unsound principle.

Incidentally, I may mention that I should like to see companies authorised to write off part of their paid-up capital in satisfaction of losses, so as to be enabled to distribute such dividends as they can earn without having to apply to the High Court. I think the debenture-holder who grudges such a distribution is ill-advised. And I should also like to see dividends in the case of companies owning a wasting undertaking divided into so much on account of income and so much on account of capital, the

latter having the effect of reducing the nominal amount of the shares.

What evils, if any, are apprehended in case any of my proposals are adopted by our lawgivers I shall be glad to consider if anyone will state them.

Legislation would be necessary before a company could be allowed to distribute part of the profit on working as a return of paid-up capital without incurring the liability to have the money again called up.

Legislation would also be necessary to enable a company to deduct from its paid-up capital any ascertained loss, whether on working or on revaluation of capital investments. The profits would thus be rendered divisible, and although creditors might sometimes be unwilling to see this done, I think, as already said, that any objection on their part would be a mistake, and contrary to their real interest. Some comparatively recent legal decisions go to the length of holding that a balance of loss on former years is not to be taken into consideration when distributing profits, but I do not go so far as that.

Finally, I may observe that the amount of detail to be disclosed in the Balance Sheet and Revenue Account would remain, as now, in the discretion of the directors; and, in like manner, the extent of information to be supplied to an inquiring shareholder would be limited, as it is at present, to such particulars as, if published, would not be hurtful to the general interest.

The Sheffield Chartered Accountants Students' Society.

(*Affiliated with the Union of Chartered Accountant Student Societies.*)

Syllabus—Spring Session, 1907.

President—Mr. S. Taylor Gill, F.C.A.

Vice-President—Mr. F. H. Metcalfe, F.C.A.

Hon. Secretary—Mr. Bertram C. Davies (Messrs. Macredie & Evans, Orchard Chambers, Church Street, Sheffield).

Jan. 11 (Friday).—Lecture, "A Suggestion as to the Regulation of Balance Sheets," by Mr. T. A. Welton, F.C.A., of London.

,, 24 (Thursday).—Mock Creditors' Meeting.

Feb. 7 (Thursday).—Lecture, "Bills of Sale," by Dr. Tinsley Lindley, of Nottingham.

,, 20 (Wednesday).—Lecture, "The Bank of England and the Money Market," by Mr. G. I. H. Lloyd, of the Sheffield University.

Mar. 6 (Wednesday). — Lecture, "Some Notes on Accountancy Subjects," by Mr. H. P. C. Kelland, of London.

,, 20 (Wednesday).—Joint Debate with the Sheffield Law Students' Society. (Subject to be announced.)

April 10 (Wednesday, at 6 p.m.).—Lecture, "Depreciation, with special reference to the Accounts of Local Authorities," by Mr. L. R. Dicksee, F.C.A., of London.

All lectures, debates, &c., will be held in the Library, Hoole's Chambers, Bank Street, Sheffield, at 6.45 p.m., unless notice be given to the contrary. The lecture on April 10th 1907 will commence at 6 p.m. to enable Mr. Dicksee to return to London the same evening.

Each lecture will be followed by a discussion, in which all members are particularly requested to take part.

The Transactions of the Society are published monthly in *The Accountants' Journal*, which paper is supplied to all members free of charge. Also copies of the "Joint Transactions," published annually by the Union of Chartered Accountant Student Societies, and containing many valuable lectures delivered to various Societies, can be obtained from the Hon. Secretary at a small cost.

Accountancy and Law Classes are held on Saturday mornings, and Junior Classes on Monday evenings, at the Library, Bank Street, particulars of which may be obtained from Mr. H. E. P. Beard, Hoole's Chambers, Bank Street, Sheffield.

The Lending Library is open to the use of all members of the Society.

Subscriptions are due in advance on the 1st May in each year.

Members are reminded of the Essay Competition arranged by the Union of Chartered Accountant Student Societies, which essays must be in by March 31st. The subject is, "The Uses and Limitations of the Card, Loose-leaf "Ledgers, and Slip Systems in relation to Matters of "Account." Several prizes are offered, particulars of which and of the rules governing the competition have already been published.

All information respecting the Society may be obtained from the Hon. Secretary.

The Chartered Accountants Students' Society of Kingston-upon-Hull.

Syllabus—Spring Session, 1907.

President—Mr. W. F. Harris, F.C.A.

Hon. Secretary—Mr. W. Percy Vickerman, A.C.A., 9 Parliament Street.

Jan. 24 (Thursday).—Fifth Annual Dinner.

,, 31 (Thursday).—"The Accounts of a Builder and Contractor." Mr. John A. Walbank, A.C.A.

Feb. 13 (Wednesday).—"The Companies Acts and Cases as they affect Accountants." Mr. H. P. C. Kelland.

,, 28 (Thursday).—"Deeds of Assignment." Mr. E. Huntsman.

Mar. 13 (Wednesday).—"Accounts of Professional Men." Mr. M. Webster Jenkinson, A.C.A.

,, 27 (Wednesday).—Ten Minutes Papers. By Members.

April 10 (Wednesday).—"Joint Stock versus Private Ownership of Business: Some practical differences in their commercial possibilities." Mr. W. R. Hamilton, F.C.A.

,, 23 (Tuesday).—Reading Prize Essay.

The meetings of the Society are held in the Hall of the Incorporated Law Society, Bowlalley Lane, Hull, commencing at 7.45 p.m. prompt.

Essay Competitions, 1906-1907.

The President offers a Prize of Three Guineas, to be divided between a Junior and Senior Competition, for the best essays on "Vouchers."

All essays must be sent in to the Secretary on or before 31st March 1907.

The Committee of the Working Union of Chartered Accountants Students' Societies offers a First Prize of Five Guineas, a Second Prize of Two Guineas, and a Third Prize of One Guinea, for the three best essays on "The "Uses and Limitations of the Card, Loose-leaf Ledgers, "and Slip Systems in relation to Matters of Account."

All essays must be sent in on or before 31st March 1907.

The Leicester Chartered Accountants Students' Society.

Syllabus for Spring Session, 1907.

President—Mr. A. P. Carryer, A.C.A.

Hon. Secretary—Mr. A. D. Wykes (with Messrs. Hopps & Bankart, 25 Friar Lane).

Jan. 30.—Joint Debate with the Leeds Society at Leicester. Subject: "That it is both desirable and necessary for the existing Income-tax Procedure to be amended as follows:—

(*a*) The application of three years' average system to all classes of income.

(*b*) The allowance for Depreciation to be a compulsory instead of a discretionary deduction, and to be calculated at uniform rates upon original values.

(*c*) The certification by qualified accountants of all returns exceeding £500."

Feb. 13.—Lecture, "Cost Accounts of Small Manufacturers," by Mr. M. Webster Jenkinson, A.C.A. (Sheffield).

,, 28 (Thursday).—Lecture, "Accounts of a Builder and Contractor," by Mr. J. A. Walbank, A.C.A. (Newcastle).

Mar. 13.—Lecture, "Branch Shop Accounts," by Mr. C. H. Spencer, A.C.A. (Leicester).

,, 27.—Lecture, "Income Tax," by Mr. C. E. Isaacs, Retired Inspector of Taxes.

Apr. 10.—Debate.

The meetings of the Society will be held at Winchester House, 1 Welford Road, commencing at 7 p.m. prompt.

The classes will recommence on the following dates:—

Accountancy—Tuesday, January 22nd, under the tuition of Mr. D. M. Gimson, A.C.A.

Law—Tuesday, January 15th, under the tuition of Mr. E. Huntsman, Solicitor, Nottingham.

A debtor in Bristol Bankruptcy Court recently said he traded as partner with his son, who was three months old.

Obituary.

Cornelius Wheawill, A.C.A.

We regret to record the death, at the age of 66, which took place on the 1st inst., of Mr. Cornelius Wheawill, senior partner of Messrs. Wheawill & Son, Chartered Accountants, Imperial Arcade, Huddersfield, after a somewhat lingering illness from a complication of ailments, of which a lung affection was the principal.

Mr. Wheawill was born in Leeds in 1840, and went to Huddersfield many years ago, and was cashier for ex-Alderman Jos. Brooke, who carried on the business of merchant under the title of Joseph Brooke & Co., and he left Mr. Brooke's service to start business for himself as an accountant in 1876. Four years later he was admitted a member of the Institute of Chartered Accountants. From 1892 to 1903 Mr. Wheawill was one of the Huddersfield borough auditors, and he was a public auditor by appointment to the Lords Commissioners.

Mr. Wheawill was a Freemason, being a member of Huddersfield Lodge, of which he was a Past Master, and he was also a Past Grand Warden of the Province.

Mr. Wheawill leaves a widow, two sons, and one daughter.

Reviews.

Outlines of Banking Law.

By Richard Ringwood, Esq., M.A. (of the Middle Temple), Barrister-at-Law.

London, 1906: Stevens & Haynes. Price 5s.

This is a handy little compendium of the law with which it professes to deal, and will, no doubt, be of great assistance to bank managers and others who may have, in the course of their everyday business, to look up such points. The leading principles are not, as is too often the case in what are called "outlines," over-burdened and obscured rather than illustrated by the cases quoted. We are not quite sure that such terms as "*donatio mortis causâ*" unexplained may not prove a "stumbling-stone and rock of offence" to the ordinary lay mind, and we regret that all mention of such an important item of banking law as "Stale Cheques" should have been omitted. Some reference to such a practical point might with advantage be substituted, in a book of this kind, for the somewhat lengthy reference to the unsatisfactory case of *Young v. Grote*, with its inevitable allusions to Pothier and Roman law.

The inclusion of the Bills of Exchange Acts, 1882-1906, and of the Bankers' Books Evidence Act form a useful Appendix, and the Index is both good and well arranged.

The Bankruptcy Acts, 1883 to 1890, and a Commentary thereon.

By His Honour Judge Chalmers and E. Hough.

Sixth Edition. By M. Muir Mackenzie and F. A. Clarke.

London, 1906: Waterlow & Sons, Lim. Price 25s. net.

Since the publication of the fifth edition of this work the death of Mr. Edwin Hough has severed the last link between it and its original authors, the name, however, of Mr. Muir Mackenzie, who has been connected with it since its fourth edition, still, we are glad to see, remains as a guarantee of its excellence,

The Editors have thought it advisable to practically omit from the present edition the Bankruptcy Discharge and Closure Act of 1887, which to all intents and purposes has spent itself, and merely to retain by way of notes its sixth and seventh sections, which relate respectively to releases of trustees and the disposal of old papers.

A series of forms and specimens—not, indeed, officially prescribed, but which have stood the test of experience—for practical use in bankruptcy proceedings, and accompanied by notes for the guidance of practitioners, cannot fail to considerably enhance the value of the book, and the same may be said of the notes as to the procedure to be adopted in appeals to the Court of Appeal and the Divisional Court of the High Court.

Further new features of the present edition are the additional decisions of the Taxing Masters with reference to the costs of execution (under Section 11 of the Bankruptcy Act, 1890), and the decisions of the Bankruptcy Taxing Master of the High Court on review of the taxation of solicitors' costs under Rule 124. In respect of all the recent decisions, the work is well up to date, and the notes have been carefully and thoroughly revised, and where necessary amplified.

In the face of such general excellence it is a thousand pities that the Index should remain of such a chaotic and unsatisfactory nature. The subheadings, themselves in many instances of very questionable value, being pitchforked together with such an irritating disregard of all alphabetical arrangement as to render impossible anything like a quick and confident reference to its valuable contents.

Meetings for the ensuing Week.

Wednesday—BRISTOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Joint debate with the Birmingham Students' Society (subject: "Income Tax") at the Library, Albion Chambers; 5.30 p.m.

Thursday—GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Accountant as an Expert Witness," by Mr. Alex. Moore, Junr., C.A.

LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Lecture, "The Duties of Executor and Trustees," by Mr. W. E. Farr, Solicitor, at the Law Institution, Albion Place; 6.30 p.m.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Mock Creditors' Meeting, at the Library, Hoole's Chambers, Bank Street, 6.45 p.m.

Personal.

MESSRS. CHALMERS, WADE & CO., Chartered Accountants, of Liverpool and London, have opened an office in Constantinople, and are represented there by Mr. FREDERICK W. COMBER, B.A., A.C.A., who has been in their Liverpool office for some years.

MR. A. CHICHELE RIXON, Chartered Accountant, announces that, after having been for some years past with Messrs. PRICE, WATERHOUSE & CO., he has now commenced to practise on his own account at 20 Abchurch Lane, E.C.

MESSRS. CREASEY & SON, Chartered Accountants, of 8 and 9 Martin's Lane, London, E.C., announce that they have admitted as a partner MR. PERCY WICKENDEN, A.C.A., who has been associated with them for some years, and that their business will be carried on under the style of CREASEY, SON & WICKENDEN at the above address, and also at 30 Mount Pleasant, Tunbridge Wells, where they have opened offices.

MR. JAMES P. MCGREGOR, Certified Public Accountant (and Chartered Accountant, of Aberdeen, Scotland), and Mr. WILLIAM ARTHUR CHASE, LL.B., Certified Public Accountant, announce that they have entered into partnership under the firm name of MCGREGOR, CHASE & CO., at 834 First National Bank Building, Chicago.

MR. HAROLD J. MOORE, Chartered Accountant, announces that his connection with Messrs. TRAYTON P. CHILD & SON has been terminated by mutual agreement, and that he is now in practice on his own account at 28 Queen Street, London, E.C., and at Woking.

MR. J. EDWARD MYERS, F.C.A., of Trafalgar Buildings, Northumberland Avenue, London, W.C., has taken into partnership Mr. WILLIAM STUCKEY CLARK, A.C.A., who has assisted him in his practice for several years. The partnership will be carried on under the firm name of J. EDWARD MYERS & CLARK.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Jan. 11th, was 129, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 76; Deeds of Arrangement registered, 53. The respective numbers in the corresponding week of last year were: Bankruptcies, 93; Deeds of Arrangement, 52—total, 145; being a decrease of 16. The total number of commercial failures recorded during the 2 weeks of the present year is 233; the total number recorded in the corresponding 2 weeks of last year was 273, showing a decrease of 40.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Jan. 11th, was 144. The number in the corresponding week of last year was 148, showing a decrease of 4. The total number filed during the 2 weeks of the present year is 218; the total number filed in the corresponding 2 weeks of last year was 250, showing a decrease of 32.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending

Friday, Jan. 11th, amounted to £1,296,057, by way of addition to £1,434,643, previously issued by the same companies. The amount registered in the corresponding week of last year was £2,450,120, showing a decrease of £1,154,063. The total amount registered during the 2 weeks of the present year is £2,273,091 (in addition to the issues in previous years by the same companies), as compared with £3,465,512 for the corresponding 2 weeks in 1906, showing a decrease of £1,192,421.

The Profession in Scotland.

Resignation of Lord Kyllachy.

The King has been pleased to accept the resignation of the Hon. Lord Kyllachy of his office as a Senator of the College of Justice in Scotland, to take effect as from the 17th inst.

Lord Kyllachy was born in 1842 in Inverness, where his father, William Mackintosh of Inshes, was a wine merchant, being for some time Provost. Mr. Mackintosh, after passing through the Edinburgh Academy, graduated as M.A. with honours in Mental Philosophy, at the University of Edinburgh in 1863. He was admitted to the Scottish Bar in 1865. Soon after his admission to the Faculty of Advocates he became known as an able pleader, possessed of a natural genius for law. His practice, both as a junior and senior counsel, was large, and of the best. During the period from 1886 to 1889, when, as Dean of the Faculty, he was the recognised leader of the Bar, his services were in extensive request. He appeared in many notable civil cases. In criminal trials he was not so much seen, but he represented one of the directors in the City of Glasgow Bank directors' prosecution in 1879.

Upon 16th April 1889, in consequence of the death of Lord Fraser, Mr. Mackintosh was raised to the Bench, taking his judicial title from the estate of Kyllachy, in Inverness-shire, purchased by him in 1881, after it had been some time out of the possession of the Kyllachy branch of the Clan Mackintosh, of which branch his Lordship is a descendant. For the long period of almost sixteen years Lord Kyllachy was a Judge in the Outer House. Upon Lord Trayner's resignation he became a member of the Second Division. During the brief period in which he has sat there, he has rendered eminent service. His Lordship has always been recognised as a strong, able, and accomplished lawyer, and as a Judge his career has been one of great distinction. His judgments have always been characterised by their mastery of legal principle, and by the clear, weighty, and forceful language in which he has expressed his opinions in their support. In the House of Lords his views upon appeal have always been treated as valuable, and more than once, after reversal of his judgment as Lord Ordinary by the Inner House, restoration of that judgment has been ordered by the House of Lords. It was with lively satisfaction that the legal profession throughout Scotland received the intimation of his Lordship at length reaching, by rotation, a seat in one of the Appellate Chambers of the Court of Session, and it must be with unfeigned regret that lawyers now find that the country is not to have for a longer period the benefit of his Lordship's services in the Inner House. His personal relations with the Bar have always been most pleasant.

Lord Kyllachy was Procurator of the Church of Scotland from 1880 to 1886. From 1881 to 1886 he was also Sheriff of Ross, Cromarty, and Sutherland, and from 1880 to 1889 he held the office of Senior Assessor to the Corporation of the City of Edinburgh. In politics he was a Liberal Unionist, without taking, however, an active part in electoral campaigns. He served as a Commissioner upon the last Universities Commission for Scotland. He is a Deputy-Lieutenant for Inverness-shire and for the County of the City of Edinburgh. When counsel his Lordship was assessor to the Corporation of the City. He received the degree of LL.D. from his Alma Mater in 1889.

New Scottish Judge.

The King has been pleased, on the recommendation of the Secretary for Scotland, to appoint Mr. Charles John Guthrie, M.A., K.C., Sheriff of Ross and Cromarty, a Senator of the College of Justice in Scotland, in room of Lord Kyllachy, resigned.

The first appointment to the Bench of the Supreme Court of Scotland which has been made since the present Government took office is assured of universal approbation, says *The Scotsman*, for few men have so well earned promotion to the Bench as Mr. Charles John Guthrie, K.C. His preferment will be greeted with enthusiasm not merely within the ranks of the legal profession, though it is no small achievement to have earned the ungrudging respect and esteem of that discriminating circle, but also by the Scottish public at large, with whom he has long enjoyed a measure of popularity to which his unwearied services to every good cause have well entitled him. Professional success such as came early to Mr. Guthrie, and has stayed with him up to his last day at the Bar, has never in his case, as it has in so many others, been allowed to narrow

the sphere of his interests, and it is perhaps because the man has never been lost in the advocate, and will not, we are sure, now be lost in the Judge, that the honour bestowed upon him will give pleasure in so many different quarters.

In 1869 he first harnessed himself to his professional work, and for the next two years he was busily engaged in acquiring practical knowledge of the law in the Parliament House department of Messrs. Gibson-Craig, Dalziel & Brodies, where he succeeded to the desk vacated by Lord Pearson, as Lord Kyllachy succeeded Lord Kinross in the same famous office. From 1872 to 1873 he read law in Lincoln's Inn, and used regularly to attend the House of Lords at the hearing of Scottish appeals, when he sat beside Mr. Macqueen, the well-known reporter, and had the privilege of receiving copies of the papers in the cases from Lord Chancellor Cairns. At the meeting of the Speculative Society, which he joined in 1869, he was a constant attender, and had among his contemporaries Lord Dunedin, Lord Pearson, and R. L. Stevenson.

In 1875 he was called to the Bar. Practice did not come to him with her usual leaden feet, but hastened to meet him at the outset, and during the twenty years of his life as a junior in the Parliament House his time was always fully occupied with the best class of briefs. When in 1897 he took silk in the first group of Scottish Q.C.'s under the new system, he found himself no less sought after as a senior counsel. The great railway companies early discovered his aptitude for their important department of legal work, and for many years Mr. Guthrie held a general retainer for the Glasgow and South-Western Railway Company, and was frequently employed also by the other companies. In arbitration work he was thoroughly at home, whether as counsel or as arbiter, his most notable case in this branch of practice being the great arbitration between the Clyde Navigation Trustees and Lord Blantyre. He also figured in several famous criminal trials, including that of the dynamitards. As a pleader he had two of the most valuable qualities, persuasiveness and thoroughness. Every case he had he mastered, and the elaborate notes which he wrote out for every discussion of importance were the best proof of the carefulness of his preparation. These practical qualities were combined in him with the scarcely less valuable gifts of an equable temper and unfailing courtesy, which will serve him in good stead in the stress of judicial work.

So far as the public recognition of his merits is concerned, he held the office of Extra Advocate-Depute for a time under Lord Kinross, and was subsequently offered, but declined, one of the regular Advocate-Deputeships. In 1900 he was appointed Sheriff of Ross and Cromarty and Sutherland, while the Unionist party, to which he was politically opposed, was in office, and it is from that office that he now steps on to the Bench.

The new Judge will take his seat with the judicial title of Lord Guthrie.

Edinburgh Chartered Accountants Students' Society.

The following syllabus of lectures has been drawn up:—

Jan. 17.—Lecture: "The High Bank Rate." A. B. Clark, M.A. Chairman, James Walker, C.A.

" 31.—Lecturette: "Brewery Accounts." Garret W. Edmunds, C.A. To be followed by informal discussion. Chairman, J. Shields Alexander, C.A.

Feb. 14.—Lecture: "Negotiable Instruments." A. M. Hamilton, Advocate. Chairman, C. E. W. Macpherson, C.A.

" 25.—Joint Meeting with Scots Law Society. Discussion on new Schedule A of the Companies Acts.

Mar. 12.—Lecturettes: "Some Jottings on Trading and Cost Accounts." William Annan, C.A. "Company Meetings." B. M. Graham, C.A. Chairman, John Hamilton, C.A.

" 28.—Mock Company Meeting.

Synopsis of subjects to be discussed at the informal meetings will be issued prior to the date of the meetings, and the Secretary, Mr. Alexander Clapperton, C.A., 1 North Charlotte Street, will be pleased to receive a note of any points suitable for discussion. The meetings will be held in the Hall of the Society of Accountants, 27 Queen Street, Edinburgh, at 8 p.m.

Personal.

Mr. David Spalding announces that he has assumed as a partner Mr. Hugh Muir, Chartered Accountant. The firm will carry on business at 11 West Regent Street, Glasgow, under the style of David Spalding & Muir.

The co-partnery of Macmillan & MacBain, Chartered Accountants. 163 Hope Street, Glasgow, of which Mr. Hugh

Macmillan and Mr. Jas. Cowan MacBain were the sole partners, has been dissolved as at 31st December 1906. Mr. Hugh Macmillan will continue business on his own account at 163 Hope Street, and Mr. James Cowan MacBain will continue business on his own account in other chambers at 163 Hope Street.

THE ORIGIN OF THE NAME "LINCOLN'S INN."—A tradition has, says a writer in the *Globe*, survived among the members of Lincoln's Inn that the name of their Inn is derived from the Earls of Lincoln. Henry de Lacey, "the last and greatest man of his line," who died in 1312, is supposed to have assigned the family residence in Holborn to a body of lawyers. Serjeant Pulling, in his Order of the Coif, refuses to believe in this "fond tradition of the old "members of the Honourable Society of Lincoln's Inn, to "associate the name of the famous Earl of Lincoln with the "institution of their inn," and G. F. Turner, in a recent contribution to the *Athenæum*, suggests another explanation of the origin of the inn. Mr. Turner, who has been examining the chartulary of the Abbey of Malmesbury, in the Cotton collection at the British Museum, has discovered that the Abbot's mansion in Holborn was known as Lincoln's Inn in 1380. The property was formerly owned by Thomas of Lincoln, a serjeant practising in the Court of Common Pleas, whose name appears in the Year Books of Edward III., and Mr. Turner's researches lead him to say that "it obviously acquired the name of Lincoln's Inn from Thomas of Lincoln."

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Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

The Accountant.

TELEPHONE No. 7321 CENTRAL. 34 MOORGATE STREET, LONDON, E.C.

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1677.] SATURDAY, JANUARY 26, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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F. H. OWERS,
County Accountant.

County Offices, Chelmsford.
22nd January 1907.

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Leading Articles.

Unregistered Friendly Societies.

YEAR after year, as Christmas comes round, cases are recorded of frauds on the part of those entrusted with the savings of others, under circumstances which may not possibly involve any very serious disaster upon individuals, but which certainly cause the greatest possible inconvenience to a very large number who cannot afford to lose even a comparatively small

portion of their hard-earned savings. It is especially in connection with so-called "slate clubs" that these frauds appear to be prevalent, but it is worth while bearing in mind that in manufacturing districts similar clubs exist for a variety of purposes. The most important provide a lump sum, accumulated out of weekly savings, for the enjoyment of an annual holiday, while (as showing that the same idea is also brought into play for many similar purposes, and as indicating how extensive the system is in connection with the working classes) it may be mentioned that there are clubs in the East End of London, and doubtless elsewhere, for the purpose of enabling factory girls to purchase feathers for the adornment of their head-gear. Practically all these clubs, which may be numbered by the thousand, are unregistered; the moneys accumulate in the hands of a single person, who belongs to the same class as the subscribers; there is no audit; often no committee of management. And, at all events in a quite undesirable number of cases, when the time comes for a "share out," as it is expressively called, it is found that the accounting party has already "cleared out" without accounting for the proceeds; or, if not, that he is unable to produce the amount that should be in his possession.

It is a very difficult question to determine how far it is desirable to interfere with the exclusively personal concerns of individual members of the community. The Post Office Savings Bank provides such facilities that anyone desirous of putting aside a portion of his, or her, wages weekly (or at any other regular or irregular period), with a view to accumulating a sum of money against some particular contingency, may readily do so without invoking the assistance of his friends or neighbours, or becoming a member of a club of any description. Having thus provided for what, upon the whole, appears to be a legitimate and entirely praiseworthy object, the State might well be excused from accepting the responsibility of providing for the adequate supervision of such clubs as may exist—the more so as these clubs have in almost all cases a democratic and self-supporting basis, in the sense that the treasurer is elected from among the subscribers, and his appointment is presumably approved by all who hand him their subscriptions. From this point of view, the matter is not one that calls for State interference in any way. When, however, the effect of this system appears to be to directly encourage fraud upon a somewhat large scale, the question may well be raised as to whether it is not the duty of the State to intervene, not so much for the protection of individual investors and for the encouragement of thrift, as in the interests of public honesty.

A much stronger case in favour of some measure of control is, however, provided in cases where these savings clubs are associated with some concern, not regularly constituted, but enjoying a fairly influential backing—as, for instance, when some church or chapel, or institute for the "improvement" of the working classes, undertakes the working of a benefit club, upon lines that are actuarially unsound, without any adequate system of accounting or audit. Such clubs continue until such time as the payment of excessive benefits in return for a trifling subscription brings about an insolvency leading to its winding-up, unless indeed some of those responsible for its inauguration should be found to regard their moral responsibilities sufficiently seriously to

induce them to make good the deficiency, and thus give the concern a fresh lease of life. We need hardly say that we have nothing to urge against clubs of this description worked upon actuarially unsound lines, provided there is behind them a responsible body of guarantors legally liable to make good any deficiency, for then such a scheme merely amounts to a charitable undertaking designed to benefit those who are willing to help themselves—probably the soundest form of charity conceivable. But where there is no such legal obligation to make good deficiencies, we consider it wrong in the extreme that those who by their social position are able to influence others should use that position to induce persons of very limited means to embark in what they must well know to be financially rotten undertakings. If a single penny of the members' subscriptions be utilised in the payment of salaries, or other administration expenses, the impropriety of the matter is, of course, increased tenfold.

We think that all classes of undertakings, however named, which profess to provide any, or all, of the benefits usually provided by a friendly society should, not merely in the interests of the subscribers, but also in the interests of their promoters, be placed as far as possible upon a sound commercial basis, and subjected to those safeguards that business experience has proved to be in all cases necessary if preventable losses are to be avoided. The contribution to be levied from charity should be systematically computed at frequent intervals, and then forthwith provided, instead of the undertaking being allowed to struggle on without any evident or recognised system, using the moneys in hand so far as they will go, and then, when virtually bankrupt, appealing to its promoters *ad misericordiam* for subscriptions to make up the deficiency. It is putting matters entirely upon the wrong basis, if it be optional for these promoters to make good (and to take credit to themselves for making good) depletions of the exchequer caused solely by their having promised more than it was mathematically possible for them to accomplish with the means at their disposal. Those who have entrusted their savings to these upon the faith of their reputation for philanthropy, or good works, have a right to be protected against their financial incapacity, more particularly when it is borne in mind that, in the event of any of these gentlemen dying, it would be practically impossible for their executors to make payments *ex gratiâ* to fulfil their moral obligations. We are, of course, fully aware that the introduction of any system of statutory or official control would have the effect of causing a large number of these concerns to be peremptorily closed, in which case doubtless the subscribers would often have to face an immediate loss, which under these circumstances the promoters might not feel themselves constrained to make good. But, at the risk of this immediate loss, we think that some steps should be taken to put matters upon a sound footing, and to ensure that thrift may not be discouraged by the too frequently unfortunate experiences of the would-be thrifty.

In the case of those clubs which are managed by the working classes themselves, we think that probably the most practical way of dealing with the admitted evil would be to pass a short Act, requiring all persons receiving as trustees moneys belonging to others, in sums not exceeding a certain prescribed minimum, to bank the amounts so received within seven days in a special account opened by them in the name of

the trust with the Post Office Savings Bank. Failure to comply with these provisions might, we think, well be regarded as *primâ facie* evidence of an intention to embezzle the moneys so received. So that in fact a failure to account would become punishable as a felony instead of being regarded as an "unfortunate occurrence," to be glossed over by all concerned unless they wish to be looked upon as exceptionally vindictive. No doubt there would be a good deal of evasion of such an Act, if passed; but it would at least have some deterrent effect, and would probably in the great majority of cases serve its purpose.

The precise point that we have in view in suggesting that failure to account under these circumstances should be treated as a felony, is that it would preclude the possibility of subscribers compounding with the defalcating treasurer. In the great majority of cases that is what takes place, and a prosecution, if indeed one be instituted, is only brought about because no offer of composition has been forthcoming. In the majority of cases the necessary funds to provide a composition represent merely a portion of the subscribers' own moneys, which they are, of course, entitled to in any event. Failing that, the funds would in all probability be obtained from a money-lender under extortionate conditions. This generally leads to the ruin of the defaulting official upon a scale far more effectual than would have arisen had he possessed the wisdom to "face the music" at the outset, under circumstances possibly affording him some slight excuse for his irregularities. Such a man goes to the money-lenders to make up a deficiency to pacify subscribers, and then robs his employers to pay the extortionate interest periodically demanded by the money-lenders. No good is done to anyone by compositions of that kind, and every effort should, we think, be made to discourage them—leading, as they almost inevitably do, to far greater mischief than that which first obtained.

Accountancy in the Transvaal.

THE Registrar of the Transvaal Society of Accountants has, at the request of the Council of that Society, forwarded to us copies of the *Rand Daily Mail* and the *Johannesburg Star* of the 15th ult., which contain correspondence relating to a matter of considerable interest to the profession generally. Accordingly we have thought it desirable to reproduce this correspondence in full in another column, in spite of its length.

In the ordinary course of events we hardly think that we should have felt called upon to express any opinion with regard to the matter —fully appreciating, as we do, the difficulty of arriving at an entirely fair opinion upon events that have taken place at a considerable distance, when in the nature of things it is only to be expected that one has not before one all that could be stated on either side. Inasmuch, however, as the matter has been officially brought to our notice by the Transvaal Society of Accountants, we feel no hesitation whatever in placing before our readers the facts of the case, as submitted by the Transvaal Society to us, and we feel that we can hardly do this without at the same time dealing editorially therewith.

As we understand the case, the facts appear to be shortly as follow:—Mr. HOWARD PIM is a Chartered Accountant practising at Johannesburg, who has enjoyed a considerable connection among South African mining companies. His political views, however, appear to

be in opposition to those generally held by those locally interested in the gold mining industry, and from time to time Mr. PIM appears to have given public utterance to his views with regard to questions at issue. These views have, as we understand the facts, given great offence to those in a position to control the appointment of auditors to certain companies formerly employing Mr. PIM, and as a result he now finds that his services as auditor have been dispensed with. That, it seems to us, represents the bare facts of the case, put quite impartially. Mr. PIM has suggested that the treatment which he has received casts a slur upon the independence of other members of the accountancy profession, and tends to lessen public confidence in the published statements which they confirm. The Transvaal Society of Accountants, on the other hand, while expressly declining to go into the merits of the dispute, has thought it desirable to give publicity to its unanimous expression of opinion that these events could in no wise be interpreted as casting a slur upon the independence of other members of Mr. PIM's profession in the Transvaal Colony, and should have no influence on public confidence in any statements confirmed by other accountants.

It seems to us that the matter under consideration may be regarded from two points of view—from the standpoint of Mr. PIM, and the manner in which the Transvaal public will regard him as a result of what has happened; and from the point of view of the accountancy profession in the Transvaal, and the extent to which the reputation of that profession is affected by what has transpired.

With regard to the first point we desire to say as little as possible, but those who wish to arrive at any correct appreciation of the position as a whole must perforce deal with this aspect of the matter first, as their conclusions with regard to this point can hardly fail to affect in some way the opinions that they form with regard to the more general aspect of the case. It is, we imagine, not likely to be disputed by any reasonable person that a professional man is entitled to his own personal opinions upon all questions, and *a fortiori* upon all political questions, for if there is to be any suspicion of intimidation in such matters, the political morality of the community is in danger of falling to a very low ebb. Assuming, therefore, that a professional man has satisfactorily performed his professional duties, we think it would be extremely improper to deprive him of his position solely on account of the political views that he might be known or suspected to entertain. But there is, we think, a broad distinction between that reasonable liberty of conscience which allows even the smallest minorities to hold their several peculiar views undisturbed, and the license that would leave them free to give publicity to these opinions, quite irrespective of the consequences that might ensue to those to whom they look for either partial or complete support in the practice of their profession. If the professional man is entitled to freedom of opinion, his client is, it seems to us, equally entitled to say that if those whom he employs are actively engaged upon a course which will be detrimental to his interests, it is open to him to say, without casting any reflection on the personal ability or probity of his accountant, that he prefers to give such patronage as he has to those who are in sympathy with his views upon political as upon other matters. The right to hold one's own opinions must be conceded to everyone in a free country, but we do not

happen to know of any country where the free expression of unpopular opinions does not entail practical disadvantages. Those, therefore, who voluntarily assume the rule of a reformer out of date, must, we think, expect the fate that has at all times overtaken such persons—which, to put it mildly, may be regarded as a distinct want of appreciation of their evident merits. We express this opinion in purely general terms, and without attempting to decide upon the merits of the controversy in any respect, beyond mentioning that we think those who go out of their way to make things unpleasant for their clients can scarcely expect to have their services retained, merely because their professional standing and personal reputation are beyond suspicion.

With regard to the more general question, as to the effect of what has occurred upon the reputation of the accountancy profession in the Transvaal Colony, and particularly upon the members of the newly-formed Transvaal Society of Accountants, we must confess that we do not think it was at all in good taste for Mr. PIM to try to involve his professional *confrères* in a dispute with which they were apparently in no way concerned. In a sense, a rebuff administered to a leading practitioner is, and must in the nature of things be, a set-back to the whole of the profession of which he is a member; but it should, we think, be his business to minimise rather than emphasise this aspect of the matter, and we think that the Council of the Transvaal Society has acted prudently in expressly dissociating itself from the whole dispute, and declining to be in any way drawn into the matter. There will doubtless be some who, as a result of what has transpired, say that if professional accountants are going to be employed on account of their political leanings, those leanings will tend to colour their views, and will to a corresponding extent affect their comments upon the statements of account that are put before them for verification. Such assertions will undoubtedly be made, more especially by those who, being politically in agreement with Mr. PIM, feel called upon to champion his cause; but they are really entirely beside the point, in that questions of account are not (and, in the nature of things, never can be) matters of political controversy. If the opinion ever became general that accountants would always professionally approve of the actions of those with whom they were in political agreement, and would always professionally disapprove of the actions of those to whom they were politically opposed, such a belief would be the death-blow to the employment of professional accountants, in that it would entirely destroy that confidence in the personal good faith of the certifying accountant which is an absolutely essential condition before his certification can carry with it any weight whatever. Any attempt, therefore, to suggest that accountants' certificates are biassed by political motives is, it seems to us, most improper, more particularly when the suggestion comes from one who ought to be in a position to know that it is entirely groundless. We can, to some extent, sympathise with Mr. PIM, in that his candid expression of his views has apparently caused him to suffer a somewhat serious pecuniary loss; but we cannot on that ground only excuse him from adopting a line of action which appears to have been calculated to suggest that all members of the Transvaal Society of Accountants place party ideals above professional principles, and are therefore professionally unreliable. Indeed, the mere fact that he should have

thought it possible that anyone could have imagined that Transvaal accountants were as a body unreliable where their political opinions were at variance with their professional duties, affords, it seems to us, some justification for the point of view taken by those who have recently dispensed with his services.

Our own view is that, the duties of an auditor being *quasi*-judicial, it is inexpedient—if not actually improper—that those who occupy the position of auditor should allow themselves to become prominently identified with any political party. Very possibly some may consider this view too idealistic; but it has at least these practical advantages over most mere ideals, that while abrogating no essential principle it avoids giving offence where offence may be expected to result in loss, while it naturally increases the respect that will be entertained for its advocates by members of all parties.

Weekly Notes.

Fractions of a Penny. It is stated that by disregarding fractions of a penny in the payment of dividends on Consols, the State was able to secure last year a profit of no less than £777 11s. 4d., while the fractions in respect of dividends on other public funds amounted to £773 13s., a gain in all of upwards of fifteen hundred pounds per annum. Inasmuch as practically all large undertakings equally ignore fractions of a penny, the probability is that the aggregate sum lost by the small creditor or investor in the course of a year would run into a very large sum indeed. For some purposes it is customary to take the nearest whole number, whether above or below, so that in the aggregate the correct total is still retained, but this practice is rarely observed in connection with external transactions. With a form of decimal coinage the nearest approach to absolute accuracy would no doubt be practicable without an unreasonable expenditure of trouble, but a system which automatically provides £1,500 per annum towards the reduction of the National Debt has at least something to be said in its favour.

Accountants Acting as Solicitors. A recent issue of *The Financial News* draws attention to an advertisement which, it states, emanates from a man who describes himself as a Fellow and Councilman of the Institute of Accountants and Actuaries, whose business, according to his own showing, consists largely, if not solely, in the collection of debts. Our contemporary thinks that the matter is one that will interest the Law Society, and it is quite possible that that is so. We need, perhaps, hardly remind our readers that there is nothing illegal *per se* in an accountant acting as a debt collector, provided he does not represent himself as a solicitor, or undertake work which is by statute reserved for those on the roll of solicitors. From the point of view of our readers, however, interest will probably centre chiefly round the statement that the advertiser is a Fellow and Councilman of the Institute of Accountants and Actuaries. This is the title of the Glasgow Institute of Chartered Accountants, but it is, we think, unlikely in the extreme that a member of the Council of that body would be responsible for the advertisement under consideration, or would carry on a business of the kind described. It would thus appear that another has been added to the already overgrown list of societies or associations of accountants, which has adopted a title as nearly as possible identical with that of the Glasgow Institute. Even this hypothesis, however, hardly meets the case, for the individual referred to claims to have been elected a Fellow and Councilman of this Institute in March 1895, and it is practically inconceivable that for the past twelve years there should have been a body going under a name almost identical with that of the Glasgow Institute, without the circumstance having been previously brought to our notice.

The Duties of Liquidators. A correspondent writing to *The Financial News* a day or two since mentions that although two companies which he names have been in liquidation for some years, not one word has been communicated to the long-suffering shareholders as to what is being done. It is the duty of a liquidator to convene general meetings at the close of each successive year during which the liquidation continues, and, if no such meetings have been held, the liquidator has undoubtedly been guilty of neglect. It may be added, however, that there is no statutory duty imposed upon a liquidator to continually keep shareholders advised of the progress of the liquidation; and although

it is usual, where shareholders are interested parties, to provide them with all reasonable information from time to time, in the all too numerous cases where it is clear from the outset that there can be *no* return to the shareholders it is, we think, manifestly unreasonable that the liquidator should be expected to waste his own time and the creditors' money upon keeping shareholders advised as to the progress of events with which they are not in any way concerned. It is probably in this way that the misunderstanding has occurred in the mind of our contemporary's correspondent.

A Remarkable Bankruptcy. An unusual case came before Mr. Registrar Brougham in the London Bankruptcy Court last week, *Re Martin*. It appears that no proofs of debt at all had been lodged in this bankruptcy, and that the only possible creditors were mortgagees, whose claims had not been ascertained. In these circumstances, the learned Registrar came to the conclusion that there were not any unsecured debts, and he accordingly granted the debtor his immediate discharge. Under the circumstances stated, the most remarkable feature about the matter is, it seems to us, that the debtor should have thought it necessary to file his petition, for obviously there can have been no petitioning creditor if the facts were as stated.

Use of the Title "Chartered Accountant." Our correspondent "Juvenis," whose letter under the above heading we reproduced last week, raises a question of some interest. Obviously it would be quite improper for a man, upon serving his articles and passing his Final Examination, to pose as a Chartered Accountant prior to being actually admitted as a member of the Institute, for the term "Chartered Accountant" is restricted to members of the Institute. It is not available by those who, having complied with certain of the conditions as to membership, and are in a position to apply for admission, because this application may, or may not, be granted. When, however, a member has taken out a certificate as an Associate not in Practice, it is clear that he is properly described as "A.C.A." or as a "Chartered Accountant," seeing that in the terms of the Charter he is just as entitled to those distinctions as a member in practice. A further question arises, however, as to whether a member enrolled as being not in practice is entitled to practise; and, of course, conversely there may be a question as to whether a member is entitled to be registered as in practice when, in point of fact, he is employed as clerk to another accountant. Upon these points the bye-laws are, perhaps, not very explicit, but we gather that enrolment as a member in practice is a condition precedent to being permitted to take an articled clerk whose articles will be recognised and registered by the Institute. There is, so far as we are aware, nothing to prevent a member registered as not in practice from undertaking accountancy work, any more than there is anything to compel a member who has been in practice for upwards of five years to apply for Fellowship. The question is one of some interest, and might, we think, with advantage be fully discussed; but, unless the bye-laws are amended, it seems to us that individuals are left free to act in whatever manner they may think best.

The Rights of Creditors. The question raised by our correspondent "C. B." last week is one of considerable interest, although the circumstances are by no means exceptional. Assuming that the bankruptcy of A. remains unclosed, the best course of procedure would, we think, be to induce the trustee in that bankruptcy to examine A., B., and A.'s son at a private sitting, with a view to endeavouring to arrive at some admission of the facts that would justify the launching of a motion. If, however, the trustee in A.'s bankruptcy is an Official Receiver, it would probably be found impracticable to take this step. Under those circumstances, practically the only course open to the creditors is to decide whether it is worth their while to incur the expense of bankruptcy proceedings against B., more especially bearing in mind the risk that, it assets should be recovered, it is quite conceivable that they may be claimed by the trustee in A.'s former bankruptcy. The case is one in which a solicitor well versed in all details of bankruptcy practice might with advantage be retained to advise.

Parliamentary Bills. White Papers of more than ordinary interest have just been issued showing the expenses incurred by the London County Council and the Metropolitan Borough Councils in promoting and opposing Bills in Parliament. As regards the L.C.C., it appears to have spent £101,000 in this manner in the four years 1903-6, £67,900 of this being in respect of promotions and £33,100 in connection with oppositions. The Electricity question appears to have cost £12,500, while the Steamboats are said to be

responsible for £6,500 of Parliamentary charges. So far as the Metropolitan Borough Councils are concerned, the total expense in the six years 1901-6 has been £71,900, of which £9,800 is for promotions and £62,100 for oppositions. Of this latter figure £12,100 was spent in fighting twenty-five Bills promoted by the London County Council itself! We should hesitate to criticise what appears to be quite a national industry, but those who have to find the money may have something to say.

Insurance Enterprise. It is reported that during the hearing of a recent appeal Mr. Justice Darling asked whether it was a fact that there were companies which would insure a litigant against a successful appeal by the other side. Counsel informed the Judge that he had been told that was the case, and that there were different rates for different Judges. A contemporary, taking up the joke, says the question is now being debated whether the publication of the table of rates would amount to a contempt of Court as regards those Judges whose names are the occasion of high rates in the list.

Cape Company Law. An interesting volume on South African company law has just been published by Messrs. Jordan & Sons, Lim., in which a useful comparison of the English and South African Acts is made. One point, of many, strikes us as being rather peculiar: The Cape Act lays it down that the memorandum and articles of association shall be delivered to the Registrar, "who shall, *if they are in order*, retain and register the same." It would be very interesting, and doubtless instructive also, if Mr. Pyemont could tell us exactly what is covered or meant by the words italicised. Is the Registrar to concern himself with form only, or with the actual wording and effect of these documents?

The Certification of Profits. In connection with a recent new issue the profits are said to have been certified by a firm of accountants at the rate of £481 9s. 1d. per annum, "on the basis of the firm's stocktaking," and "without charging partners' salaries." A critic points out that if the salaries of the partners only amounted to the very modest sum of £260 per annum each, this would suffice to convert the profit previously mentioned into a loss of £39 per annum! The accountants are quite in order in the reservations they have made, but it may well be questioned whether so small a concern offers much scope for successful joint-stock enterprise.

South African Shipping and Restraint of Trade. A Reuter's telegram announces that an American firm of exporters are bringing an action in the Circuit Court at New York against several South African steamship companies on the charge of violating the Sherman Anti-Trust Act, in having formed a combination in restraint of trade. It is alleged that the defendants combined for the purpose of suppressing competition and securing a rate monopoly for cargo to South Africa, and in the course of a circular sent out by them it was declared that hostile shippers would be forced to pay higher rates than "loyal shippers," and that rebates in the shape of commissions would be paid to such "loyal shippers." Much has been written in this country regarding the Shipping Ring, but we doubt whether the matter is within the jurisdiction of the United States' Courts.

A Curious Point in Liquidation. Before Mr. Justice Parker recently the liquidator of a certain limited company was summoned by the Crown for the purpose of recovering £1,480 12s. said to be due for income-tax. The case does not appear to have been fully reported, and the particulars in the newspaper paragraphs are rather vague, but we gather that in the course of a reconstruction certain debts had been paid out of the assets, but that income-tax had not been provided for. We do not know whether this was due to an oversight on the part of the liquidator or to any other cause. It was stated that the indemnity which the new company had given to the liquidator was only of problematical value, and the Judge, in making an order for payment in six weeks, said that this would give the liquidator time to see whether the new company could assist him. We should like to know more of the circumstances of the claim, and perhaps the liquidator in question may care to use our columns.

The Organisation of Local Authorities' Accounts. We understand that the Hastings Corporation has recently introduced important changes into its methods of rate collection and record. The collection is to be in the hands of a staff consisting of a chief collector, four other collectors, and two clerks, the first-named alone being authorised to make entries in the rate books, and to pay receipts into the Corporation's bank. Particulars of the amounts so paid in will be forwarded daily by the bank to the Borough Accountant. The Borough Accountant is to be responsible for the general supervision and control of the collecting department, and

for the carrying out of a continuous audit of the books. He will also have the conduct of the correspondence, but will have nothing whatever to do with the actual handling of money. This is in all essential principles the system which we have always advocated in these columns, but which hitherto does not appear to have met with any general measure of acceptance among local authorities. It may be remembered that when the methods of accounting at Cardiff were reorganised some little time since, we commented upon the fact, and mentioned that to get the greatest possible advantage out of the supervision conducted by a Borough Accountant's office, it was essential that he should be placed in the position that ought to be occupied by all auditors of absolute independence of the actual handling of money. We are glad to observe that at Hastings the more reasonable method will be tried, and it will be interesting to learn what success attends its adoption.

Returns under the Companies Acts. At the Guildhall on the 18th inst. Alderman Sir George Smallman had before him two persons charged, as directors respectively of the Spanish Lead Syndicate, Lim., and the Heredia Lead Mines, Lim., with knowingly and wilfully authorising default on the part of their respective companies in the filing of the annual return and summary of capital required by the Companies Act, 1862. On behalf of the defendants it was submitted that no meeting had been held, and that therefore the requirements of the Act could not be literally complied with. Returns had, however, been made, although of necessity not made up to a date fourteen days after the meeting, which, in point of fact, had not been held. Counsel, however, submitted, on the authority of *Dorté v. The South African Super-Aeration, Lim.*, that this summons was out of date, the alleged default having occurred on the 21st January 1906, whereas the summons was not issued until 21st November following. His Worship came to the conclusion that he was bound by *Dorté's* case, and accordingly dismissed both summonses, while adding that on the facts he would certainly have found that the defendants knowingly and wilfully permitted this default had there been a default in law.

The Accounts of the Woolwich Council. The Chairman of the Finance Committee of the Woolwich Borough Council stated a short time since that instead of there being a working balance of upwards of two thousand pounds, the Council was faced with an overdraft of sixty thousand pounds, of which forty-two thousand pounds represented capital expenditure on Electricity Account. The accounts of that department were, however, in such a state that no one knew how the money had been spent, and in consequence it was impossible to apply to the Local Government Board for a loan to cover the expenditure. Thus the only way of clearing off the overdraft was to charge it against revenue, which would involve an increase in the rates of between sixpence and eightpence in the pound. It would be interesting to know exactly how it came about that the accounts of this Council have in the past been kept upon such extraordinary lines, and who is responsible for the irregularity. If the directors of a company were to announce that they were unable to explain to their shareholders how forty-two thousand pounds of the company's money had been spent, there is every reason to suppose that an action for damages —or, if the company were in liquidation, a misfeasance summons—would follow in the ordinary course of events. It is undoubtedly only proper that the Local Government Board should refuse to entertain an application for a loan in the absence of any information as to the application of the moneys sought to be borrowed; but if the official audit served any really useful purpose, it would be held sufficiently frequently to render it impossible for such a sum to be frittered away without any proper record being kept of its expenditure.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

Life-Tenant and Remainderman.

(*To the Editor of The Accountant.*)

SIR,—A letter signed "Articled Clerk" on page 43 of your issue of January 12th 1907 asks how a sum paid for redemption of tithe rent-charge should be borne as between capital and income of settled property. If the writer of the letter turns to Section 21 (ii.) of the Settled Land Act, 1882, he will see that capital money arising under that Act may be applied, *inter alia*, in the redemption of rent-charge in lieu of tithe, so that the whole sum payable should fall on capital. This result, moreover, follows on principle, apart from the Settled Land Acts, at least if the executors were authorised to redeem the rent-charge

and no special direction was given by the will as to the incidence of the cost of redemption.

Yours faithfully,

January 16th 1907. A. D. TYSSEN,
Barrister-at-Law.

Wanted, a Designation for Accountants.

(*To the Editor of The Accountant.*)

SIR,—May I offer you my thanks for your kindness in inserting in your journal my letter signed "Pro-Registration," and also for your remarks in the Notes columns of this week's issue, the appositeness of which I willingly acknowledge.

I regret my inability at the present time to suggest a suitable alternative to the word "Accountant" as a descriptive title of the business of the profession, but, as you remark, the term at present in use most inadequately defines the multifarious duties which a professional accountant is called upon to undertake, and in the case of some specialists it verges upon a misnomer. If any of your correspondents could suggest a suitable designation it would, I feel sure, be gratefully received by a majority of the profession, who cannot but regret the opprobrium of being classed (both by an undiscerning public and the older professions) with the racing fraternity, debt collectors, inquiry agents, &c.

Yours faithfully,

January 19th 1907. WILLIAM SAUNDERS.

[We hope no one will publish a suitable name at this stage: if a good alternative designation were made known now, depend upon it it would be appropriated before the week was out by a score of "undesirables" who would plead "prior user" as a ground for opposing the restriction of the term to *bonâ fide* practitioners.—ED. *Acct.*]

Succession Duty.—Capital or Income?

(*To the Editor of The Accountant.*)

SIR,—Your correspondent "H. R." asks whether the succession duty payable by a tenant-for-life should be charged against capital or income. There is no doubt that it should be charged against income. Your correspondent does not state whether the property is real or personal estate, but the result is practically the same, although they are dealt with by different sections of the Acts of Parliament (36 Geo. 3, c. 52, s. 12, incorporated by 16 & 17 Vict. c. 51, s. 32, and ss. 21 and 30 of the last-mentioned Act). In each case the duty may be paid by instalments, and this is usually done. I gather that the power of appointment mentioned by "H. R." was a limited power, such as a power to appoint among children. If it was a general power, A. would be absolute owner and the case would be different. The 42nd Section of the Succession Duty Act (16 & 17 Vict. c. 51), above cited, makes the succession duty a charge on the interest of the successor in both real and personal property, and a debt due from him to the Crown.

Yours faithfully,

21st January 1907. A. D. T.

Departmental Accounts.

(*To the Editor of The Accountant.*)

SIR,—I am very much obliged for the leading article on Departmental Accounts appearing in your issue of 19th inst., and have to thank you for the offer of further assistance, which I gladly avail myself of.

I certainly agree with you that both systems of apportionment mentioned in my first letter give unfair results, and that is my reason for appealing to you for your valuable opinion and assistance.

The concern in question is engaged in the linen and handkerchief business, buying their goods from manufacturers, making up same for and selling to retail drapers, and the business is conducted under six departments—A, B, C, D, E, and F. Each department's Trading Account is made up of two sections—the first showing the gross profit and the percentage thereof to the sales; the second showing all the selling and distributing expenses and the net profit, with their relative percentages to sales.

The expenses may be classed under three headings, viz.:—

(1) Direct or specific expenses incurred by each department, which includes all salaries except those of the counting-house.

(2) Indirect expenses apportioned on a fairly accurate and just basis.

(3) Indirect expenses apportioned *pro ratâ* on sales, which does not give just results as between the departments.

The expenses under No. 1 may be left out of this correspondence.

Those under No. 2 are as follow:—

Rent, Rates, and Taxes of Head Office, which are charged in proportion to the floor space occupied by each department.

Discounts, which are charged *pro ratâ* on sales; the terms are very similar in all departments. Any special allowances are charged to the departments allowing same.

Interest, which is charged at 5 per cent. per annum to each department on the average stock carried, and which average is arrived at by taking the average between the opening and closing stocks.

Bad Debts, which are charged to the departments making same.

The expenses under No. 3 are as follow:—

Packing Expenses. The goods in A, B, C, and D departments are all heavy and small in volume to the money value, as compared with E and F departments, which are bulky and light.

Travelling Expenses, which are the commissions earned by salesmen on the net cash received in each year, not on the sales.

Counting-House Expenses. With regard to the money values of sales, there would be many and varied differences between the transactions; for instance, for one transaction for any given amount in A department there might be the same proportion for B, but C and D would take five or six transactions, and E and F might have a dozen to make up a like sum.

Branch Office Expenses, which include carriage, porterage, stationery, miscellaneous expenses, salaries, and rent and taxes, and have hitherto been apportioned *pro ratâ* to the sales of each department at each branch.

If you think the matter of sufficient general interest to insert this letter in your paper I shall esteem it as a great favour, and must apologise for trespassing on your valuable space so much.

Yours truly,

22nd January 1907. DEPARTMENTAL.

The Institute of Chartered Accountants in England and Wales.

THE following is a list of applicants, admitted at the Council meeting held on the 9th January 1907, who completed their membership before the 24th inst.:—

Associates elected Fellows.

Campbell, Henry (Herman Lescher, Stephens & Co.), 6 Clement's Lane, Lombard Street, E.C.

Davie, Herbert George Ferguson (Wilde & Ferguson Davie), 61½ Fore Street, E.C.

Davis, Alfred Edward Maidlow (McAuliffe, Davis & Hope), Threadneedle House, 28-31 Bishopsgate Street Within, E.C.

Fripp, Daniel Steuart (Evans & Fripp), 14 Finsbury Circus, E.C.

Gilchrist, John (Gilchrist & Tash), Midland Bank Chambers, Exchange Place, Middlesbrough.

Goddard, Edward Denman (Geo. Wingfield, Edwards & Goddard), 119 & 120 London Wall, E.C.

Halsall, Frank (Ashworth, Mosley & Co.), 45 Spring Gardens, Manchester; and at Belfast and Bury.

Jackson, William Leach, May Buildings, 51 North John Street, Liverpool.

Marsh, Robert Henry (Robert H. Marsh & Co.), 73 Ethelburga House, 70 Bishopsgate Street Within, E.C.

McAuliffe, Henry Thomas (McAuliffe, Davis & Hope), Threadneedle House, 28-31 Bishopsgate Street Within, E.C.

Parkinson, Arthur John (Welch & Parkinson), Commerce Court, 11 Lord Street, Liverpool.

Parnaby, Frederick Arthur, 46 Gresham Street, E.C.

Shaw, William Henry (Ashworth, Mosley & Co.), 45 Spring Gardens, Manchester; and at Belfast and Bury.

Short, Arthur, 21 Waterloo Street, Birmingham.

Tash, Henry William (Gilchrist & Tash), Midland Bank Chambers, Exchange Place, Middlesbrough.

Admitted as a Fellow.

Binnie, Andrew (Jackson, Pixley, Browning, Husey & Co.), 58 Coleman Street E.C.

Admitted as Associates in Practice.

Garratt, Percy, 60 Chancery Lane, W.C.

Meats, Thomas Wheeler, 39 Broad Street, Hereford.

Oakley, Edward Woodall (Oakley & Williams), 118 Queen Victoria Street, E.C.

Riches, Frederick John (Fred. W. Smith & Co.), 113 Wool Exchange, 24 & 26 Basinghall Street, E.C.

Thornton, Herbert John (Agar, Bates & Co.) and (Theodore Neal & Pitt), 110 Edmund Street, Birmingham.

Watson, Arnold (Arnold Watson & Co.), 156 & 160 Corn Exchange Buildings, Hanging Ditch, Manchester.

Personal.

MR. W. S. BUTTAR, C.A., Edinburgh, and Mr. H. C. CHIENE, C.A., Edinburgh, have entered into partnership and are practising as Chartered Accountants and Auditors at Old Safe Block, 536 Hastings Street, Vancouver, B.C.

Reviews.

The Prevention of Corruption Act, 1906.

By C. J. Haworth, B.A., LL.D., Barrister-at-Law.

Wakefield, 1906: Sanderson & Clayton, Publishers.

Price 1s. 1d., post free.

This pamphlet contains the text of the Prevention of Corruption Act, 1906, which has already appeared in these columns, and some useful information throwing light upon the precise meaning of the various problems so far as that meaning can be determined pending the decision of the Court upon actual cases brought before it. In particular may be mentioned ten typical cases cited, illustrating practices not altogether unknown in the commercial world which it is held have now been made criminal.

Mathieson's Handbook for Investors for 1907.

F. C. Mathieson & Sons, 16 Copthall Avenue, E.C.

Price 2s. 6d. net.

The eighth annual edition of Mathieson's Handbook for Investors contains all the features that have combined to make this annual of so much value, amended down to the end of November last, and thus brought up to date. The number of different concerns to which the statistics relate amounts to nearly two thousand.

Northern Chartered Accountants Students' Society.

Presidential Address.

An address delivered to the Northern Society by the President, Mr. F. C. Squance, F.C.A., on October 10th 1906.

It is difficult, almost impossible, to find a subject for an address of this nature which is both new and appropriate. So many addresses have been given by distinguished members of the profession, and reported in the pages of *The Accountant*, or in the printed Transactions of Students' Associations, that I felt when I accepted the position of President of your Society, that it would be useless for me to attempt to find a subject which would afford an opportunity of breaking new ground.

You must forgive me, therefore, if I repeat to some extent what former Presidents have said, and said more ably and convincingly than I can say, but we have this consolation in common, that you are a new generation of accountant students; and I do not think that I shall be casting any reflection upon you, either collectively or individually, if I assume that you are not completely familiar with the pages of *The Accountant* or the reported Transactions of the various Students' Societies.

In many respects, and particularly in public recognition and appreciation, the profession of accountancy is in its infancy. I think you would fail to find in any standard dictionary anything approaching a complete and satisfactory definition of the term "Accountant," as applied in the sense that we understand it. The dictionary makers have not progressed as our profession has. Dr. Johnson's Dictionary, the most striking monument of the learning and industry of any one man, was first published in the year 1755, and his definition is, "Accountant. A computer—a man skilled or employed in accounts," and similarly he defines "Accomptant—a reckoner, computer." The great English Dictionary, edited by Dr. Murray, the first part of which was published in 1884, and which now, after the lapse of twenty-two years, is only two-thirds of the way through the alphabet, gives three definitions:—

(1) "One who renders or is liable to render an account; one accountable or responsible.

(2) "One who counts or can count or reckon; a reckoner, calculator.

(3) "One who professionally makes up or takes charge of accounts; an officer in a public office who has charge of the accounts."

Dr. Johnson's definition of an Auditor is, "A person employed to take an account ultimately," and Dr. Murray's is, "An official whose duty it is to receive and examine "accounts of money in the hands of others, who verifies "them by reference to vouchers, aud has power to disallow "improper charges."

Admirable as these definitions doubtless are, if the terms are merely considered etymologically or historically, I think you will agree with me that they fail to convey an adequate and satisfactory definition of an accountant in the technical and professional sense in which we understand the term. And at the same time I think you will agree that they represent very fairly the conception of the man in the street of the duties, functions, and responsibilities of an accountant; and, perhaps over-represent the standard of that still too common blot upon 20th century civilisation, the amateur auditor!

And although the profession of accountant, in the wide and comprehensive sense in which we understand it, is an outcome of the extent and complexity of modern trade, the practice of accountancy of the dictionary type has a lon

and interesting history. I have here an extremely interesting little treatise on bookkeeping, which forms an addendum to a long and elaborate treatise, entitled, "The Pathway to Knowledge, containing the first Principles of Geometrie as they may moste aptly be applied unto practise, bothe for use of instrumentes geometricall and astronomicall, and also for projection of plattes in everye kinde, and therefore much necessary for all sortes of men."

The name of the author is Robert Recorde, a not inappropriate surname, and he dedicates his volume in a long dedication dated at London the XXVIII. daie of Januarie M.D.LI. to the King's Majestie (Edward VI.).

The Bookkeeping Treatise is very concise, extending to only two and a-quarter small printed pages, and though not altogether adequate as a text-book for the Institute examinations, will, I think, interest you.

The keeping of a marchants booke after the Italian manner by Debitor and Creditor, and first an instruction to leade you unto the same.

To keepe a booke well it is necessarye that you write in a Jornall or daies booke, all what soever you doe touching your affaires, and therein expresse how & in what manner you bargain, either for buying, selling, receiving paying, bartering, or delivering wares whatsoever, specifiing the day and yeare, when it was done, with whome, what goods, what price, howe much, what colour, waight, measure, howe many ells, yeards, or peeces, what marke, what number, & for what time, the wares are sold, or bought, also by whom they are bought, sold, received, or sent away, with what number & markes, as you shall perceave at larg in the Jornall, by divers and severall examples, then you must transport all Debitors, Creditors, and wares whatsoever into the leager or booke of debts, leaving therein for each man, an accompt apart, as also of wares, each severall kind of ware an accompt apart, that is the debitors, or the bought and received wares on the left side, and the Creditors or wares solde delivered or sent away on the right side, with the day and date when the payments is to bee made, and at the end before the placing of your sommes of money, set the number of the folio of the said leager, where the same is again to be found in the said booke, and then write the name of the Debitor or creditor in your Register, with the folio where the same is to found in the leager, then in the marget of the Jornall you must marke the folio or leaves where the same percels are to be found in the leger, the hier figure for the Debitor & the lower figure for the Creditor, and betwene them both there must be a lyne made to part them one from the other in this manner——— Now if it fall out, that any accompt in the leager be so great, that you can write no more in the same place, then you must ballance the same accompt up, that is make it an even accompt with such a somme that there may be as much on the one side as on the other, & the same somme wherewith you have so made them even, or ballanced up, must you carrie unto a newe accompt, and marke in your Register where the same standeth, that is in what folio it is, and likewise if you chaunce to write any percell false in your Jornall, you must not blot or crosse the same out, but you must write a contrarie percel unto the same, that is if it were a debitor, make an other percel of the same as a creditor, & so of other percels, likewise if you chance to transport any percell false out of your Jornall into the leager, that is either a debitor for a creditor, or a Creditor for a Debitor or any other percels wrong placed, you must not crosse the same, but you must write the like some on the other side against it, and doe as the order of the boke requireth, ther is likewise required a boke of charges, for your trade, wherof you shal find a forme set down at the end of my leager, some likewise use a booke to write therein the postage of letters, also for the copies of letters sent to divers places. Now when you have delt for a certaine time, and that your booke waxeth full, or that you meane to make a newe accompt, you must then make a ballance, out of the leger, which to do, you must first se that al the percels in your Jornall be transported into your leager, then ad everie somme on both sides, that is the Debitors by themselves, and the Creditors by themselves, and if there bee more found on the one side than on the other, then make the sommes on both sides alike, and carrie the rest of that accompt unto the ballance, that is, if you have any thing more on the right side, in the ballance, the like must you doe with the wares, you must add them up on both sides, and what remaineth unsould you shal carie it likewise on the right side, and set how many tonnes, peeces, or yeards &c., they are, and rate them at such price as they cost you, or as the addition falleth out, and carie the same goods remaining unto the ballance on the left side, then loke in your leager, what you find gained in the accompts of wares sould, and make the same accompts even on both sides, carying the rest thereof unto the account of profite and losse, which having done, and that your whole leager is in this manner made even in ech acount, and the remainors caried unto the ballance, then must your ballance on both sides bee even and alike sommes, if your booke be true kept. That seene, then bring al the Debitors and Creditors out of the said ballance, in the new boke marked with the letter B referring your selfe in each part, unto the ballance of the old boke marked with the letter A, there to find it at larg (if nede be) that you may there see how the debt groweth, and then whatsoever yo doe after the ballance made up, write it in a Jornall, marked with the letter B, and transport the same percel over into the leager B, as you have done out of the booke marked letter A. Thus if with this my labour, I may

profit or pleasure any man, I shall thinke it well imployed, wherewith I end this small treatise, commending the same unto the censure of all such as are desirous to learne for their owne profit and Instruction.

The rules here laid down are explained by a number of specimen Journal entries and Ledger Accounts, which form an interesting and quaint illustration of a long bygone day, *e.g.*—

The first Journal entry is:

"Cash is debitor unto Stock 2,000 pound, and is for so much remaining in chest at this present. God sending fortune to deal with it." Then follow examples of selling for ready money, of selling for time. To prolong a debt upon interest. To deliver money upon hazard. To ship goods to send beyond seas. When you cause any goods to be assured, and so on.

I do not find any reference to the duties of trustees, liquidators, and receivers, but there appears to have been work for them, judging by the following entry:

"Proffit and Losse is debitor unto Nicholas de Reo 100£ for so much given him when he brake."

But however interesting these records of good Master Recorde may be, I must pass from the simplicity of the 16th century to the complexity of the 20th; from the accountant who was merely "a man skilled or employed on accounts," to the professional man of to-day, whose duties and responsibilities are so wide as to suggest

"A man so various that he seems to be,
Not one, but every man's epitome."

It is almost a commonplace to say that the public estimation of any profession is largely dependent upon the character and attainments of the members of the profession, and I propose, therefore, to-night to speak to you in somewhat general terms upon the moral and mental equipment of a successful accountant, distinguishing him from the narrow and limited conception of the dictionary definition.

The regulations of the Institute necessarily and most wisely provide for a fairly long probationary term.

Those of you who are just entering upon the five years of service under articles, may possibly think that this period, if diligently employed, will enable you to obtain a complete grasp of the principles of your profession. On the other hand, those of you who have nearly completed the term may be realising how much there is yet to be acquired, and that, as you progress, the bounds of knowledge and experience become wider and wider. "The point that was out of sight "yesterday is become the starting point to-day, and that "which is the goal to-day will be the starting point "to-morrow" is true of our profession as of all learning and progress.

Some of you may regard the Intermediate and Final Examinations as necessary evils, to be faced in the fatalistic spirit of the proverb "What cannot be cured must be endured." You may look upon them merely as tests of knowledge, more or less willingly acquired by the study of uninteresting books, or of experience obtained in the daily, and often monotonous, routine of office work. And looking upon the examinations in this light, you may feel it to be your duty to acquire sufficient knowledge to enable you to satisfy the examiners, and for ever after to look back upon them with the complacency of the young lady who, having painfully and laboriously read through "Paradise Lost," remarked at the conclusion of her task, "Thank heaven, that is finished for life!"

But what I want you to remember is, that the examinations are intended to be, in the middle and at the end of your articles, not only tests of knowledge, but, what is of equal if not greater importance, tests of those business qualifications, orderliness in method, quickness and soundness of apprehension, clearness and conciseness of expression, and common sense, without which knowledge, however full, will prove of little practical value.

And therefore I wish to impress upon you the immense importance and value of really sound and honest work, in the acquisition both of practical and theoretical knowledge. I am afraid that there are too many stepping-stones and short-cuts nowadays. When I was preparing for my Final Examination I had not the temptations that beset an articled clerk to-day. I can see in my mind's eye the formidable row of portly volumes then recommended by the fostering care of the parent institute, such as Williams on the Law of Executors and Administrators, Lindley on Partnership, Buckley on the Companies Acts, and Smith's Mercantile Law—six volumes of great cubic capacity, and weighty alike in learning and pounds avoirdupois. From these I had to make my own notes; yet painful and prolonged as the study was, I have never regretted the Draconian law which imposed it upon me. And, as I presume it is the duty of a President to give good advice, I advise you in preparing for your examinations to begin your work in good time, reading carefully and independently the text-books recommended, and making your own notes; then having done this, if you like, but not till then, avail yourselves of the epitomes, and aids, and synopses, so plentifully provided by the experience and ingenuity of gentlemen whose business in life is to anticipate the questions of examiners, or to help lame dogs over stiles. I do not wish to depreciate the value of books of the class I am referring to. What I do want to urge, and urge most emphatically, is that they should be properly regarded, not as substitutes for honest work, but as supplemental and corrective, and for purposes of comparison.

I am no prophet, but I am certain that in after life you will never regret it if you act on this advice. Honest work at text-books, however dry, will bring manifold reward, not only in a firmer grasp and better assimilation of knowledge,

but in the facility in handling books of reference, and in the ability to readily distinguish essential facts and principles. As Dr. Johnson has said, "Knowledge is of two kinds. We "know a subject ourselves, or we know where we can find "information upon it." And that second kind of knowledge is what "cramming" will never give, and it is moreover a knowledge which, in the actual practice of your profession, will be of immense value.

And in attaining practical knowledge during the service of your articles there is the utmost need for honest and intelligent work. The man who has gone through his five years' service, faithfully it may be, but perfunctorily, may be at the end not much more than a ticking or copying machine; but the man who sets out with a determination, not only to discharge his duties faithfully, but to take every possible opportunity of acquiring knowledge and understanding *principles*, and who is never afraid of asking intelligent questions, should find himself at the end of his term a fit and proper person to enter upon the responsibilities that devolve upon a managing clerk or a practising accountant.

And may I say, on the subject of asking questions, that the familiar formula of "Let it be granted" finds a very small place in the vocabulary of a Chartered Accountant, and that therefore the student who in receiving instructions as to his work is afraid to ask questions, if need be, is injuring both himself and his principal. We principals are very human, and are perhaps somewhat inclined to assume that facts or reasons which are perfectly familiar to us are equally well known to our subordinates.

And now, having given you such advice as I can with reference to your work during the service of your articles, I propose to speak about some of those wider considerations affecting the moral and mental equipment of a successful accountant. I think it is no exaggeration to say that no profession demands a wider knowledge of the conduct of business, the varying details of trade, and the principles of finance than ours. A highly respected alderman, once a familiar figure in the local affairs of my native town, is reported to have said, when some action of his as chairman of a committee was attacked, "Mr. Mayor, I consider "that a man in my position should be like Cæsar's wife, "all things to all men!" And in one sense we accountants have to occupy this position: I mean, in dealing with the accounts and affairs of varied industries we require a working knowledge of details and technicalities which will enable us to readily understand the points involved. Primarily we are concerned with accounts, but we must remember that accounts are only means to an end, and that although the main principles vary little, the practical application and the variations of detail in order to most readily and correctly and usefully bring about the desired results, differ almost in every case.

Our profession naturally demands some knowledge of finance, the principles and laws relating to money and exchange. You will, therefore, in your leisure hours be glad to find relaxation in the perusal of such light literature as Adam Smith's "Wealth of Nations," Mills, or somebody else's, "Political Economy," or the Budget speeches of the Victorian Chancellors of the Exchequer! The questions of bimetallism, of the gold reserve, and of the relation of taxation to commerce, will doubtless engage your attention in debates!

Seriously, however, I commend to you the study of some good book on the money market. And as you will in all probability have to deal with Shipping Accounts, you will necessarily require a knowledge of the principal foreign currencies. You may look forward to the time when, either as executors or trustees, or in advising executors or trustees, responsibility in connection with the realisation or selection of investments will devolve upon you. You will therefore find it an advantage to obtain a knowledge and watch the variations of the various classes of trustee investments, and of local securities bordering upon trustee investments, which are often specifically authorised under wills and settlements; and also to take an intelligent—but not a speculative—interest in the market prices of local stocks and shares. It is obvious that such knowledge is of great importance, both in safeguarding you in the discharge of the responsibilities of trusteeship and executorship, and at the same time in enabling you with prudence and discretion to realise to the best advantage estates committed to your charge.

And I must revert to a question I have already touched upon, the advisability of obtaining some knowledge of the principles, the conduct, and the technical terms of the industries, the accounts of which you may be called upon to organise or audit. It would be impossible in an address of this character to speak in much detail upon this point, and I will content myself with illustrating what I mean by reference to two or three great local industries.

You have to deal, for instance, with the accounts of a colliery, and though you will not find it necessary to know what I may call the minor—the pun was unintentional—technicalities, you would soon find yourself at a great disadvantage if you were ignorant altogether of the trade customs and terms. A south countryman might be excused if the term "brasses" suggested to him something of a metallic nature or even if he connected "waling" with a lamentation for dull trade. In an apportionment of wages the distinction between a "baff" and a "pay" Saturday might not be very obvious to him, and the magnitude of the "drawings" might suggest prospective bankruptcy!

In dealing with the adjustment of Royalty Accounts—which in this part of the world are comparatively simple owing to the long period during which minerals have been reserved—you will find in recent mining centres,

many complications, where acreage rents prevail and royalty owners are often very numerous. And ability readily to read and understand a mining plan will be of great service' especially in dealing with vexed questions of barrier coal, of pillars, of irrecoverable shorts, and exchange areas.

Or to turn to another great industry, I can remember an estimable gentlemen who, in vouching a Voyage Account, declined to certify it, because amongst the papers there was no receipt for light dues—being unaware of the regulation which requires a vessel to carry the receipt amongst her papers.

I can only touch upon other technicalities in connection with shipping accounts, such as the varying methods of insurances, a sufficient knowledge of charter-parties, average statements, and other incidental documents to enable the accountant to refer readily to points material to the accounts.

You will, I think, find that in all manufacturing businesses the question of Cost Accounts is becoming one of increasing importance. It therefore falls to the lot of the accountant to advise upon the form of the Cost Accounts, and sometimes to design a complete system; suggesting regulations for the proper custody, issue, and return of stores and materials, and the manner in which labour costs are to be tabulated, and the basis upon which standing charges and establishment expenses are to be dealt with.

And I would remark at this point that no system of Cost Accounts is satisfactory, unless it is closely related to the actual books of account, in such a manner that the costs are periodically capable of verification by reference to ascertained gain or loss. Especially in such work as this is a knowledge of the process of manufacture of great use; indeed, it is almost indispensable, and therefore I would urge upon you the desirability of taking every opportunity of familiarising yourselves with any trade or manufacture that comes in your way.

You can imagine the disadvantage at which a man ignorant of ships and shipbuilding would find himself if called upon to advise upon a cost system in a shipbuilding yard. If, for instance, he was uncertain as to the difference between a bilge keel and a batten cleat, or thought that a companion ladder implied the idea of sociability, or that a ceiling in a vessel resembled the ceiling cf a room, he would scarcely be likely to impress storekeepers and foremen and managers with the reasonableness of his views.

Then, again, I need hardly remind you that you will find in audit work, on the important question of stocks and their valuation, that some knowledge of the trade in question is of great value. It is true that, although the actual responsibility for the accuracy of stocktaking returns and values does not rest upon the auditor, it is essential that he should be able to form a just opinion as to the correctness and fairness of the stocks. This, as you know, is often a matter of great difficulty, especially when the conditions of trade make it necessary to hold a large stock of manufactured or partly-manufactured goods.

In some businesses the valuation of the stock may be the determining factor in ascertaining gain or loss; and although I do not for a moment suggest that an auditor must be either omniscient or infallible, I want to impress upon you that something more than a knowledge of accounts is required to enable him to discharge with reasonable knowledge, care, and judgment, the onerous responsibilities devolving upon him.

And now I pass on to consider briefly some of the moral qualifications in the character of the ideal accountant.

It is said that "Order is Heaven's first law," and I am inclined to think that the same may be said of our profession. If we are to succeed, it is absolutely essential that we should diligently cultivate habits of order, method, and precision. We have to take nothing for granted; we have, with a definite end in view, patiently to investigate, satisfying ourselves step by step not only of arithmetical accuracy, but of soundness of principle; we have to guard not only against sins of commission, but also against sins of omission, in order that we may arrive at that desired result which will enable us to say that the result is "full and fair," sufficiently disclosing ascertained facts and stating them in due and just relation.

Anything, therefore, that is unmethodical or haphazard is a source of danger, and anything of the nature of "slackness" is anathema. Those of you who are just entering upon the profession may be inclined to think that there is a certain amount of needless drudgery, and that "Let it be granted" would be a speedy and safe substitute for Q.E.D. in testing additions or proving the accuracy of Ledger postings, but you will find afterwards that these laborious and painful and often uninteresting processes are the surest stepping-stones to those habits of orderliness and precision which are essential.

But an accountant is more than a man of figures and facts —his practice will bring him into constant and close relationship with other men as clients, officials, or subordinates, and therefore a knowledge of men is of great importance. We have constantly to form independent judgments not only on questions of capacity but of character. In the administration of an office, in the conduct of an audit, in investigations of various sorts, and in our relations with the Surveyor of Taxes and the Official Receiver, a knowledge of men and a ready judgment of temperament is a valuable asset to a practising accountant.

And the cultivation of orderliness in thought, in methods of work, and in speech, together with the study of men, following upon thoroughness in every detail of daily work, will lead to that admirable quality of self-reliance, which will deliver you from the foolishness of over-bashfulness on the one hand, and the much greater foolishness of over-confidence

on the other. And this quality of calm self-reliance is of especial value in our profession. We have not yet reached a stage in the history and development of the profession where there is, as in the law, an almost complete body of precedent sacred and irrevocable as the law of the Medes and Persians, nor can we have recourse, in the solution of difficult and involved problems, to that happy haven of the puzzled or timorous lawyer, the opinion of one of His Majesty's Counsel learned in the law!

And you will find in dealing with the business men, with whom your professional life will bring you into constant intercourse, that this quality of self-reliance will be of great service. The conditions of business and trade call for frequent and rapid decision, for the exercise of judgment in sudden emergencies, and consequently business men look for the same self-reliance in their advisers that they themselves have to exercise in their daily work.

I have spoken of the cultivation of orderliness in methods of work, and I want also to impress upon you the advantage of clearness and conciseness of expression in speaking and writing. The days of oratory are over, and mere fluency of speech is regarded with impatience and even disgust. But the accountant who is a sufficiently practised speaker to be able with clearness, force, and brevity, at a shareholders' or directors' meeting, or at a meeting of creditors, or at a consultation, to explain his views, enforce his arguments, and formulate his schemes, is manifestly at an advantage, as compared with his brother practitioner who either on the one hand is confused and halting in speech, or on the other bewilders his hearers in a maze of diffuse argument or explanation. And equally in writing is this habit of clearness and conciseness valuable. Looseness and ambiguity of expression in a business report, or even a letter, often leads to trouble, uncertainty, and confusion; and we have not the consolation or excuse of the Parliamentary draughtsman, of whom it is sometimes said that he creates difficulties in order to provide work for his professional brethren in solving them!

And, lastly, I urge upon you the cultivation of quickness in thought and work. You may frequently be called upon at short notice, and under great pressure, to get out a statement of affairs, to report upon intricate questions of account, to give an opinion upon financial or other schemes, and it is then you find the advantage of rapidity, concentration, and despatch. "He who hesitates is lost" in many of the sudden emergencies of business life, but he who, in the endeavour under sudden strain to think and work rapidly, allows himself to become hurried and flurried and bustled, is not only lost, but dammed altogether.

On the whole question of the mental and moral equipment of a man of business I cannot do better than recommend to you a little volume of Essays by Sir Arthur Helps, at one time Secretary to the Privy Council. Sir Arthur Helps was a rare combination of scholar, man of letters, man of affairs, and, in the best sense of the term, man of the world, and he has left in this little volume of "Essays in the Intervals of Business," a store of practical wisdom, of which the opening sentences are:—

> "Practical wisdom acts in the mind, as gravitation does in the material world, keeping things in their places, and maintaining a mutual dependence amongst the various parts of our system. It is for ever reminding us where we are, and what we can do, not in fancy but in real life. It does not permit us to wait for dainty duties pleasant to the imagination; but insists upon our doing those which are before us. It is always inclined to make much of what it possesses; and is not given to ponder over those schemes which might have been carried on if what is irrevocable had been other than what it is. It does not suffer us to waste our energies in regret. In journeying with it we go towards the sun, and the shadow of our burden falls behind us.
>
> "In bringing anything to completion the means which it looks for are not the shortest, nor the neatest, nor the best that can be imagnied. They have however this advantage, that they happen to be within reach."

Accountancy and Politics.

The Case of Mr. Pim.

THE following is the correspondence referred to in our leader on this matter:—

To the Editor.

Sir,—I beg to hand you the enclosed correspondence for publication.—I am, &c.,

HOWARD PIM.

Johannesburg, December 14.

96 and 98 Exploration Buildings,
Johannesburg.
2nd March 1904.

Dear Sir,—I received yesterday a letter from the Secretary of the Chamber of Mines informing me that I have not been re-elected as one of the auditors of the Chamber, a position I have held for the last eight or nine years.

Under these circumstances I think I am entitled to ask for the reasons which led the Executive to make this change, for I presume their action is not intended as any slur upon my professional reputation, or as conveying a want of confidence as to the manner in which I have safeguarded my clients' interests entrusted to my charge.—I am, &c.,

(Sgd.) HOWARD PIM.

Harold F. Strange, Esq.,
President, Transvaal Chamber of Mines.

Transvaal Chamber of Mines,
Johannesburg,
March 4th 1904.

Dear Sir,—I beg to acknowledge the receipt of your letter of the 2nd instant, and in reply to say that under the constitution of the Chamber the Executive Committee elects auditors, and the recent election referred to by you was made in this manner.

The choice of the Committee fell on Messrs. Andersson and Douglas, and I cannot see that any explanation as to the election is called for, as you are certainly right in thinking that it did not imply any slur on your professional reputation.—I am, &c.,

(Sgd.) HAROLD F. STRANGE,
President.

Howard Pim, Esq.,
Johannesburg.

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96 and 98 Exploration Buildings,
Johannesburg.
28th March 1904.

Dear Sir,—The action of the Rand Mines in not re-electing me as one of their auditors surprises me greatly, both on general grounds and because Mr. Hull told me some weeks ago the view you personally took of my position, a view which seems to conflict with this action of the Rand Mines.

I take a keen interest in this place and country, and if the opinions I have formed and expressed on some public questions are unpopular they have not been arrived at without the most careful consideration it is in my power to give.

My duties as auditor are strictly confined to verifying the correctness of statements of accounts, the result of policies in which I have no say whatever. As an auditor I have no politics, and the value of my certificate depends upon the absolute independence of the scrutiny to which I subject all accounts submitted for my examination.

I am also writing Mr. Reyersbach, who was the chairman of the meeting.—Faithfully yours,

(Sgd.) HOWARD PIM.

Julius Wernher, Esq.

London Wall Buildings,
London,
29th April 1904.

Howard Pim, Esq., Johannesburg.

Dear Mr. Pim,—In reply to yours of March 28th, I much regret, on personal grounds, that you have not retained your position with the Rand Mines. I am sure nobody could do the work required more ably or more conscientiously, and the separation is in no way a reflection on your work.

You have, however, at a most critical period opposed what the company considers their vital interest, and can hardly be surprised at the step taken.

I know perfectly well that you acted from the highest motives in this Chinese question, but so does the other side. With these opposing and apparently irreconcilable views there was no other solution possible, although it has not been carried out logically.

The conversation with Mr. Hull is quite fresh in my memory, and I have written him on the subject. My opinion was then, and is now, that no concern could retain in its employ, and in its pay, people opposing its most important interests, preventing the proprietors from getting in an honourable way, and without injuring the general welfare, the best results from their enterprise.—Yours faithfully,

(Sgd.) J. WERNHER.

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96 and 98 Exploration Buildings,
Johannesburg.
23rd May 1904.

Dear Mr. Wernher,—I am much obliged for your letter of the 29th April, but must differ from the view therein stated that as auditor I was in the employ and in the pay of the Rand Mines, Lim.

In no possible sense have I been in their employ, and the fees I received as auditor were paid me not for services rendered to the company (although I am glad to know that incidentally I have been of assistance), but for my certificate that the business of the company has been conducted within the boundaries laid down in the trust deed and that the statements of account laid before the general meetings were correct.

If in any sense these duties of an auditor are services, they are so, not merely to the company, but to all persons who consult these statements of account before deciding whether they will become shareholders or vary their present holdings.

Your letter and the company's action raise the broadest questions not only of professional standing, but also of freedom of speech. The latter cannot be discussed in a letter, but I should like it clearly understood that in accepting the duties of an auditor I do not surrender my rights as a citizen.

With regard to the former point, may I state that by dismissing me on political and not on professional grounds, you hold out all other accountants here who are auditors of your companies as retaining their appointments on the condition that at least they do not oppose your policy on matters affecting the government of the country. This cannot but react upon their professional standing and

reputation for independence, by injuring which you must at the same time lessen public confidence in the published statements they confirm.—Faithfully yours,

(Sgd.) HOWARD PIM.

Julius Wernher, Esq.

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96 and 98 Exploration Buildings,
Johannesburg.
December 12 1906.

Messrs. H. Eckstein & Co., Johannesburg.

Dear Sirs,—I now beg to write to you with reference to my interview yesterday with Sir Percy FitzPatrick, Mr. Schumacher, and Mr. Evans, and the subsequent telephone message from Sir Percy.

At this interview I was informed that, though you had a high opinion of my professional character and of the manner in which I had carried out my duties as auditor of certain companies controlled by your firm, yet in view of the fact that I had joined the Transvaal National Association and had agreed to stand at the forthcoming Parliamentary elections as their candidate for the Parktown Division, it was in your opinion not possible to re-elect me as auditor of the companies you control.

You also stated that you were acting in this manner owing to pressure having been brought to bear upon you by shareholders who consider that my being a working member of a political party whose views are in some respects opposed to theirs is to their detriment.

I must express my regret that this attitude should have been taken up, for it appears to me both unworthy and inconsistent. So far as I am concerned I have not considered the political opinions of my clients as having any bearing upon my professional work, and I see no reason why my clients should take up a different position.

I may perhaps remind you that the Progressive Association put forward Mr. Douglas to stand against me in Parktown, and I believe that at least one other member of my profession, also an auditor to your companies, serves upon its Executive. Clearly, therefore, my offence is not that I should have political opinions, or express them, or stand for Parliament, or take part in a political organisation, but that these opinions, formed in all honesty and after full consideration, should differ from yours.

The professional position I take up is clearly stated in my letters to Mr. Wernher, dated the 28th of March and 23rd of May 1904, and these letters I now confirm, repeating my expression of regret at the wholly undeserved slur your action casts upon the independence of other members of my profession in this Colony.

To Sir Percy's suggestion that in view of the short notice you have given me a final decision might be postponed, I am unable to agree, and, if the course you have indicated be followed, I am entitled to ask that in such case the chairman will make quite clear that the change is only made because I have expressed opinions on public matters which do not happen to coincide with yours, and I shall also be obliged if he will state that I have always given the most scrupulous attention to all work entrusted to me by yourselves and by companies in which you are interested.

To another suggestion that I should not offer myself for re-election it is not possible to agree. To do so would place me in quite a false position, and would be construed as an admission that I have acted in an unjustifiable or unprofessional manner. The position I claim to hold is that of an independent professional man whose services have been called in for specific purposes and who has devoted his best brains and energy to the work entrusted to him.—Yours faithfully,

(Sgd.) HOWARD PIM.

P.O. Box 149, Johannesburg,
Transvaal,
12th December 1906.

Howard Pim, Esq., Johannesburg.

Dear Sir,—We are in receipt of your letter of even date, but cannot agree that it gives, either in letter or the spirit, a fair account of the interview you had with the members of this firm yesterday. You are perfectly correct in stating that we hold a high opinion of your character and professional capacity, but we disagree with the unqualified statement that it is because you have joined the Transvaal National Association and have agreed to stand as a candidate at the forthcoming Parliamentary elections that we associate ourselves with other shareholders in resolving not to lend you further support. The reason for this decision is to be found in the fact that you have attended and spoken at political meetings recently at which direct attacks have been made upon the property and interests of shareholders without taking any steps to defend those interests.

Without entering into a political discussion, it is necessary to observe that the views expressed by many members of the party with which you have associated yourself are by no means identical, but at some of the meetings which you have attended lines of policy have been laid down which, if carried out, would have a most prejudicial effect upon shareholders of investments in the gold mining industry. It is not, therefore, merely a case of divergent political views, but of matters closely identified with the industry.

You make reference in your letter to correspondence which took place in 1904 between yourself and the senior partner of Messrs. Wernher, Beit & Co. We had hoped that as a result of that correspondence your relations with

the companies with which we are associated would not again have been imperilled; and since that time, though you have frequently given expression to views with which we have not been in agreement, we have never attempted to interfere with your independence of action. But the case becomes entirely altered when you offer yourself as a candidate for Parliament, because views expressed by a private citizen assume quite a different significance in a candidate for the Legislature. The mining industry in this country unfortunately occupies the position which a great collection of industries of a diverse character occupy in other countries, and its affairs must obviously hold an important place in politics. It is apparent, therefore, that while in other countries the political opinions of any individual are not of vital importance to any one industry they become so in the Transvaal. The mining industry considers your opinions entirely and violently detrimental to its business welfare, and it is only natural, therefore, that it should seek professional assistance from those who, if they are not in entire agreement, are at least not in such pronounced antagonism.

With reference to the concluding paragraph of your letter, we may say that we only suggested that the matter might be allowed to stand over upon your saying that the question had been raised at very short notice, but as you showed in your letter under reply that you had clearly made up your mind, there was no reason for deferring action, which was accordingly taken by ourselves in conjunction with other shareholders at the meeting of the Jumpers Deep this morning. We do not dispute your right as an independent professional man to hold or to express any opinions, but if those opinions strike at the industrial welfare of this country, as we believe they do, it would be wholly indefensible for us to take any share in assisting you to put them into practice, acting as we do, not only for ourselves, but also in a fiduciary capacity for a large body of shareholders.—We are, &c.

(Sgd.) H. ECKSTEIN & Co.

December 14 1906.

Dear Sirs,—I am receipt of your letter of the 12th inst., and regret that you did not consider my summary of our interview on Tuesday last a fair one. On the second page of your letter, after stating that since 1904, although I have frequently given expression to views with which you have not been in agreement, you have never attempted to interfere with my independence of action, you proceed as follows:—"The case becomes entirely altered when you "offer yourself as a candidate for Parliament, because "views expressed by a private citizen assume quite a "different significance in a candidate for the Legislature." This, I think, bears out the statement in my letter.

With reference to the last paragraph of your letter, I hope you will understand that I make no complaint at your having brought forward this matter at the Jumpers and Ferreira meetings yesterday. As this matter is of public interest I now propose publishing the correspondence which passed in 1904 between the Chamber of Mines, Mr. Wernher, and myself, as well as these recent letters which have passed between us.—Yours faithfully,

HOWARD PIM.

Messrs. H. Eckstein & Co.,
Johannesburg.

To the Editor.

Sir,—Though a Progressive organ, it is very much to the credit of the *Mail* that it did not lose its head when most required and refused to join in hounding down an honourable man simply on account of political leanings. It goes a long way to justify those in England who upheld that no one on the mines was free to do anything contrary to the views of the owners, that they should sign petitions and do everything exactly as they were told.

How far the position of a Judge resembles that of an accountant it may not be difficult to say. At any rate, both should be independent and free from fear; otherwise what good are they? Yet we all can remember the virtuous indignation expressed against the late President Kruger when he dared lift a finger against the then Chief Justice of the Transvaal.

How passion or self-interest makes fools of us all.—I am, &c., J. F.

Johannesburg,
December 14.

To the Editor.

Sir,—It was only to be expected that a good deal of unbusinesslike sentimentalism would be lavished upon Mr. Howard Pim, in view of the fact that the shareholders of certain companies consider that Mr. Pim's intimate association with would-be wreckers of the mining industry is inconsistent with his occupying positions of trust in the service of the mining companies.

It was also, of course, equally inevitable that the public would be surfeited with the usual hysterical balderdash from certain weekly gutter prints, which lay themselves out to batten on scandal and sensationalism.

Now, Mr. Pim's professional integrity and efficiency are recognised and admitted on all hands, so there is no controversy about that. But the question arises: Has Mr. Pim's action, or rather inaction, been politically honest? Mr. Pim as auditor would have access to all private and confidential documents and books of a company. Is it reasonable or is there any common sense in expecting directors and shareholders to throw open their business to the inspection of a man who is almost, if not quite, a fanatical opponent of their interests?

It certainly does seem most surprising that a gentleman of Mr. Pim's delicacy of feeling did not perceive the desirability of handing in his resignation when it became obvious that his public action was grossly detrimental to the interests of his employers—the shareholders. It hardly seems dignified, or indeed scarcely decent, to hang on and draw fees in the full knowledge and consciousness that he and his friends were bent on ruining the business of those who paid him the fees.

It is to be feared that what stood in the way of the straightforward course of resignation was the question of political expediency. If Mr. Pim had adopted the dignified and honourable course of resigning there would naturally have been no political capital for his friends of the Nationalist Association to make out of the incident. There would have been no martyrdom with which to harrow the feelings of the weak-minded, there would have been no grist for the squalid political mill of the National Ass.—I am, &c., L. J. WILLIAMS.

Johannesburg,
December 14.

REPLY FROM MESSRS. ECKSTEIN & CO.

To the Editor of *The Star*.

Sir,—Mr. Pim has taken the step of publishing certain correspondence bearing on the question of his removal from the auditorship of some of the companies with which we are associated. This has been done, we presume, because the question is deemed to be of public importance in both business and political connections. We accept that view. One story is good until another is told; and as some of the details have been made public we think it but right that the whole case should be stated.

During the past three years many shareholders in the companies for which Mr. Pim has been auditor have taken the strongest exception to his continuance in that position, whilst at the same time he vigorously conducted a campaign against the legitimate interests of those out of whose business he was in part making his living. Their view was that their business was legitimately and honourably conducted with full regard to and in the real interests of the country, and it did not seem fair to them that he who was making his living out of that business should utilise his business connection with them to enable him to more effectually attack them. In reply we invariably represented "that the principle of individual liberty, freedom of "opinion and action in matters outside business concerns "of the companies is one of which we all heartily approve "and have always upheld in practice"; and there are numberless instances which could be quoted to show that this is so. But then a much more serious and urgent point was raised by shareholders which concerned Mr. Pim in his professional capacity, and that is, that on several occasions Mr. Pim has been present, once as chairman, when the grossest and most untruthful attacks have been made upon "the management, the methods, the records, accounts and returns of the companies." These things have been done sometimes in Mr. Pim's presence, and habitually by prominent members and accepted leaders of a party with which he has openly associated himself. Mr. Pim has been in a position to know whether these charges were true or not; and never in a single instance has he given a contradiction or entered a word of protest; and it is certain that some of the public who have no opportunities for themselves investigating these matters should regard his silence as a tacit endorsement of the charges made. That, at least, was the view of shareholders; that it was also the view of others may be gathered from the enclosed extract from a letter published in the *Transvaal Leader* so long ago as December 25 1903.

On Tuesday morning, the 11th inst., emphatic representations were again made to us by shareholders unconnected with any of the large groups here, and it was brought to our notice that certain shareholders intended to raise the question at the annual meetings to be held on the following day. It would have been competent and easy for us to have left it to shareholders to exercise their right of terminating or renewing an arrangement which is by the provisions of the trust deeds and general practice open to renewal or termination at every annual meeting. There was no necessity to consult Mr. Pim or to do anything but leave it to the shareholders. We preferred, however, to face the matter frankly, and on Tuesday at midday invited Mr. Pim to discuss it with us. This was the very first date upon which the question of taking action regarding Mr. Pim's election at the Ferreira Deep and Jumpers Deep meetings was discussed with anyone, and the statements made to the contrary are absolutely false.

We recited to Mr. Pim the circumstances of the case, saying that we had dismissed the suggestion that shareholders should raise the question, preferring that it should be frankly dealt with by us and the responsibility taken by us; that we had therefore decided to discuss the matter with him, and ask him to consider whether—in view of the countenance lent by him, the auditor of the company, to the charges made against the good faith of the companies—he did not consider it to be his duty to resign, as he could not "have it both ways." The shareholders had employed him in his business capacity; if he decided in another capacity to take action contrary to their legitimate interests, and by his countenance and silence to lend weight to utterly unfounded charges of bad faith and dishonesty in their business, it seemed to us that, in justice to them, he should sever his business connection and so place himself in a position of indisputable freedom.

There had been, we pointed out, three courses open, two of which we recognised as honourable and usual, the third impossible. He could either have abstained from the public action of which shareholders complained, or, if his convictions were too strong to permit of this, as we naturally assumed they were, and he felt it his duty to the country compelled him to play his part, he could have done as many others have done and made the necessary sacrifice to free himself; but he had chosen the impossible course of claiming the advantages of both alternatives, leaving to the shareholders the disadvantages of both. If, we pointed out, as is undoubtedly the case, shareholders have no right through the business connection to coerce him in his public capacity, neither can he have the right, by the pressure of political considerations and the embarrassment which would follow through the suggestion of political motives, to coerce them into maintaining the business connection. It seemed to us, therefore, that the honourable course for him to take, recognising that the two rôles were irreconcilable, was to resign his position.

Mr. Pim upheld the view that he had done nothing conflicting with his duties to the companies, and expressed himself much as he did at the meeting of the shareholders when the question was discussed. With regard to the "countenance of his silence," he admitted that ours was a "possible view," but he could not himself accept it, for he took no responsibility for anything but his own words and actions, and did not admit any obligation to correct the statements of his colleagues or others; we reminded him of the meeting referred to in the enclosed extract from the *Leader*, and he pointed out that two and a-half years ago he had written to Sir Julius Wernher asking for a declaration of policy on this question, and regretted that he received no reply. We informed him that the proper course would have been to write to this firm with whom he had been dealing; that this was the first we had heard of this letter, and we had no indication that it had ever been received. He expressed regret that he had not sent us a copy; and then remarked that, as the meetings would take place on the following day, the time allowed him in which to take a decision was very short. In reply to this we stated (with reference to the two and a-half years' alleged delay) that we had staved off the question in the hope that it would not become acute and that no unpleasantness would arise, but that as the attacks continued with his countenance and his active and persistent support, and charges against the honesty of administration and accounts and returns—with which he is competent authoritatively to deal—still fail to elicit one word of protest from him, it was impossible further to withstand the reasonable representations of shareholders; moreover, we stated it had not occurred to us that any notice was required, for such a course could only be interpreted as an attempt at coercion and an offer of time in which to change his views and abandon his public action—a construction which we would not risk or permit, for the decision to sever the connection was final and irrevocable; we added that we were convinced that such a construction would be equally unacceptable to him, for we had always given him credit that his action had been decided upon after mature deliberation. Mr. Pim stated that this was the case; that he had thought the matter out very carefully, and had anticipated a development of this kind arising. He also remarked that this action would undoubtedly appear to people outside to have political significance and would excite comment. We replied that we were perfectly well aware of this, and for this reason, but much more on account of the long and satisfactory business relations that had existed between him and us, we would most gladly have prevented the matter from coming to an issue had this course been possible; but, whilst well knowing the grave unpleasantness and misinterpretation which would have to be faced, we considered it impossible to further resist the perfectly legitimate demands of the shareholders.

Mr. Pim pointed out that his removal would injure him professionally. We replied that we realised this, but that if we were pressed to take action it would probably injure us more; but it was a choice of evils, and we could not for this reason shirk a clear duty. We further pointed out that if shareholders by exercising their indisputable right to appoint whom they please, would injure him, so too did he, by exercising his indisputable right to carry on his public campaign, injure them; and it seemed but fair that the rights of both should be respected and the parting be effected by agreement, which would injure no one and raise no political issues.

During the afternoon we communicated with Mr. Pim by telephone, stating that his complaint that the matter was suddenly sprung upon him after a long silence seemed to us not unreasonable, and we had therefore decided again to resist the suggestions made to us and to allow the question to stand over until March next, when other annual meetings would of necessity bring it up again; but we warned him, so that there should be no misapprehension as to the object of this postponement, that whatever course he decided to take would not affect our decision in the least; we considered the representations of shareholders to be reasonable; we declined to consider the future at all, but on the grounds of his action to date we intended to support their view—that the business connection should be terminated; the end was determined; what we were prepared to discuss was the means! Would he resign and avoid injury to both parties, or would he

force us to act? Was it to be now or in March next? It was free to him to choose.

Mr. Pim replied that he would take time to think it over, and would let us know.

After 10 o'clock on Wednesday morning Mr. Pim notified us by telephone that he had decided that he would not resign, nor would he accept the suggestion to allow the matter to stand over, but preferred that it should be dealt with at the meeting which was to take place at 11 o'clock, and asked that he should be allowed to attend and make a statement.

We accepted his decision, and the meeting took place as reported in your columns.

From this it will be clear that it was not we who precipitated action in the matter; and if there was any desire to make political use or capital out of the affair it may be worth while asking with whom the desire lay and to whose advantage it could be turned?

The difficulties which Mr. Pim experiences in dealing in two capacities—with his business associates and his political allies—are well illustrated by what took place on Saturday night. At a meeting held on the East Rand Mr. H. C. Hull made statements purporting to be an authoritative narrative of this affair, to the effect that we had demanded that Mr. Pim should withdraw from his candidature for Parktown and leave the Nationalist Association, statements which Mr. Pim himself knows to be, not only absolutely false, but the very opposite of what did take place.

We commend to your attention the following words in the statement made by the chairman of the Jumpers Deep Company when explaining the principle on which shareholders had acted: "The practice of abstaining from "refuting, in defence of a political opponent, the misstate-"ments of a political associate may be admissible in "politics, but it fails to satisfy the requirements of justice; "and the silence of one who is in a position to know the "truth might not unnaturally be construed by the less "informed public as tacit endorsement."

Mr. Pim has taken no steps yet to correct the statement above referred to! Is it surprising that the dual capacity should appear to us to have its drawbacks?—We are, &c.,

H. ECKSTEIN & CO.

P.O. Box 149,
December 15.

Transvaal Leader, December 25 1903.

To the Editor of the *Leader*.

Sir,—In your issue of yesterday appears an account of a meeting held by the African Labour League. In a speech made by a Mr. Hutchinson at that meeting appear the following words:—"That the mines returns were "founded upon fictitious figures; that really the smallest "(mine) produced 50 per cent.," thereby implying that the mining companies of the Rand issued inaccurate and misleading accounts of their operations. The meeting at which these remarks were made was presided over by Mr. Howard Pim, who is auditor to a great number of mining companies here, and, therefore, should be eminently qualified to confirm or refute this bold and sweeping assertion. From your report of the meeting, however, Mr. Pim appears to have made no protest against, nor in any way qualified, these remarks of Mr. Hutchinson; nay, rather, by his silence, is one led to conclude that he endorsed them.

Now, in his capacity as auditor, Mr. Pim must have signed the Balance Sheets and Profit and Loss Accounts of many a local mining company, certifying that in his opinion "it is a full and fair Balance Sheet, and properly "drawn up, so as to exhibit a true and correct view of the "whole of the company's affairs." Thus, to the common or lay mind it would seem that Mr. Pim, the auditor, certifies to the truth and correctness of accounts which Mr. Pim, as a chairman of the African Labour League meetings, allows to be called "fictitious." Can you explain this, Mr. Editor?—I am, &c.,

AN INQUIRER.

I enclose my card.

VIEWS OF THE PROFESSION.

To the Editor of *The Star*.

Sir,—Having been approached by a number of members of this Society in regard to the correspondence appearing in the *Rand Daily Mail* of this date, referring to the loss of certain audits of mining companies by Mr. Howard Pim, I called a special meeting of the Council this forenoon, at which a majority of the members were present. Unfortunately Mr. Pim, who is one of the Vice-Presidents, happens to be in Pretoria, therefore could not attend.

Mr. Pim states that the action of Messrs. Eckstein & Co. casts a slur on the independence of other members of this profession, and tends to "lessen public confidence in the published statements they confirm."

Whilst it is not the intention of the Council to go into the merits of the dispute, yet it was felt that incidentally public opinion might accept Mr. Pim's statement as representing the views of the profession generally, and it was thought advisable to obtain an expression of opinion from the members of the Council in the matter. After full consideration, the members of the Council present were unanimously of opinion that the present action of Messrs. Eckstein & Co., or of their companies, could in no wise be interpreted as casting a slur on the independence of other members of Mr. Pim's profession in this Colony, and should have no influence on public confidence in any statements confirmed by other accountants.—I am, &c.,

SAMUEL THOMSON,
President, Transvaal Society of Accountants.

December 15.

The Public Trustee Act, 1906.

THE Public Trustee Act, 1906 (6 Edw. VII. c. 55), which received the Royal assent on December 21st last, will come into operation on the first day of next year. It does not extend to Scotland or Ireland. It is intituled "An Act to "provide for the appointment of a public trustee and to "amend the law relating to the administration of trusts."

The first part of the Act provides for the establishment of a public trustee who is to be a corporation sole with perpetual succession and an official seal. His principal duties will be to act in the administration of small estates, to act as custodian trustee, and to act as an ordinary trustee. He may also be appointed to be a judicial trustee and to be the administrator of the property of a convict under the Forfeiture Act, 1870; but he may decline to accept any trust, though not on the ground only of the small value of the property. He is prohibited from accepting a trust which involves the management or carrying on of any business (except so far as may be sanctioned by the rules to be made under the Act), or any trust under a deed of arrangement for the benefit of creditors, or the administration of insolvent estates; and trusts for religious or charitable purposes are also outside the Act.

Any person who, in the opinion of the public trustee, would be entitled to apply for an order for the administration by the Court of an estate, may apply to the public trustee to administer it where it is proved that the gross capital value is less than £1,000; and for the purposes of the administration the public trustee may exercise such of the administrative powers and authorities of the Court as may be conferred upon him by the rules, which (*inter alia*) are to enable him to take the opinion of the Court on any question arising in the course of the administration without judicial proceedings. The Court also may order that an estate shall be administered by the public trustee in any case in which administration proceedings have been instituted in any Court, and by reason of the small value of the estate it appears to the Court that the estate can be more economically administered by the public trustee, or that for any other reason administration by the public trustee would be expedient. On the undertaking by the public trustee of the administration of a small estate, the trust property (not being stock or land of copyhold tenure) will *ipso facto* vest in him.

Elaborate provisions are made for giving the public trustee the custody of trust funds and property without permitting him to interfere in the execution of a trust; and this apparently will also include the administration of an estate as distinguished from a trust. The appointment of a public trustee as custodian may be made either by order of Court on the application of any person upon whose application the Court might order the appointment of a new trustee, or by any testator or settlor, or by the person, having power to appoint new trustees. Such a person can apparently bring in the public trustee without the consent and even against the wish of all the beneficiaries; but the Court, on the application of the custodian trustee, or of any of the managing trustees, or of any beneficiary upon satisfactory proof that it is the general wish of the beneficiaries, or that upon other ground it is expedient to do so, has power to terminate the custodian trusteeship by an order for that purpose. A custodian trustee will have all trust property transferred to him, and the custody of all securities and documents of title relating to such property, but the managing trustees will have access to such documents and securities and be entitled to take copies or extracts. All sums payable to or out of the income or capital of the trust property will be paid to or by the custodian trustee, who, however, may allow dividends or other income to be paid to the managing trustee, or into a bank to the credit of such person as they may direct. An important subsection enacts that the provisions of the Act which relate to custodian trusteeship shall apply, in like manner as to the public trustee, to any banking or insurance company or other body corporate entitled by rules made under the Act to act as custodian trustee, with power for such company or body corporate to charge and retain or pay out of the trust property fees not exceeding the fees chargeable by the public trustee as custodian trustee. It is, of course, highly improbable that any such company would charge fees in excess of a Government department, its object being to attract business by cheapness as well as by celerity.

As regards ordinary trusteeships, the public trustee may be appointed to be a trustee of any will, settlement, or other instrument creating a trust, whether made before or after the passing of the Act, and may be appointed as a sole trustee; but such appointment will not be valid where the instrument creating the trust contains a direction to the contrary, unless the Court otherwise orders. Notice of the proposed appointment of the public trustee as a new or additional trustee must be given to all beneficiaries resident in the United Kingdom, and the Court may, on the application of any such person within twenty-one days, make an order prohibiting the appointment if, having regard to the interests of all the beneficiaries, it considers it expedient to do so. Provision is also made for enabling the public trustee to accept probates of wills and letters of administration, and for enabling executors and administrators to transfer the estates of their testators or intestates to the public trustee for administration, although they have acted themselves.

Provision is made for the discharge of liabilities incurred by the public trustee out of the Consolidated Fund, "except where the liability is one to which neither the "public trustee nor any of his officers has in any way con-"tributed, and which neither he nor any of his officers

"could by the exercise of reasonable diligence have "averted." Such fees will be charged in respect of the duties of the public trustee, by way of percentage or otherwise, as the Treasury with the sanction of the Lord Chancellor may fix. Provision is also made for the employment by the public trustee of solicitors, bankers, accountants, and brokers. The Act also contains some legislation as to the audit and investigation of Trust Accounts, the cost of which is to be borne by the estate unless the public trustee otherwise directs; this seems calculated to prejudice the estate at the will of any single fidgety or vexatious beneficiary who may be interested in a small amount of it.

The Act itself is only a skeleton. Its working must to a great extent depend on the rules which are to be made by the Lord Chancellor for carrying its objects into effect. The issue of these rules and the appointment of the first public trustee and other necessary officials under the Act will be awaited with interest.

Bankers and our Gold Reserves.

(From *The Times.*)

THE discussion on Sir Felix Schuster's paper on "Our Gold Reserves," which was read before a meeting of the Institute of Bankers on the 19th ult., was resumed on the 15th inst. at the London Institution. Mr. J. Spencer Phillips, the President (Lloyd's Bank), occupied the chair; and among those present were Sir F. Schuster (Union of London and Smiths Bank), Sir Edgar Speyer, Mr. E. H. Holden, M.P. (London City and Midland Bank), Mr. J. G. Nairne (Bank of England), Mr. Nunn (Union of London and Smiths Bank), Mr. C. Gow (London Joint Stock Bank), Mr. Haines (National Provincial Bank), Mr. T. J. Russell (London and Westminster Bank), Mr. Leslie Tritton (Barclay & Co.), Mr. J. W. Cross (London and Provincial Bank), Mr. L. Hansard (Martin's Bank), Mr. Whelen (National Bank), Mr. Smart (Standard Bank of South Africa), Mr. Hermann Schmidt, and Mr. Ernest Sykes (the Secretary). The meeting was very largely attended, as on the former occasion.

The President having briefly opened the proceedings,

Mr. Holden examined at considerable length the more salient points of the paper. He observed that Sir Felix Schuster had laid down two very important propositions—namely, "It is the first duty of every State to provide a sound currency," and "The necessity for an increase of the national reserve of gold seems amply proved." With both propositions he entirely agreed; but he contended that the author's recommendations did not "fit in" with them. The recommendations, he further argued, while falling short of the important proposition laid down, were also unsound on banking principles; and he contended that the recommendations to transfer gold to the special reserve in the Bank of England might lead to a decrease of the national reserve of gold. It appeared to him to be a much sounder policy for the bankers to hold the gold in their own vaults. (Cheers.) He agreed with Sir Felix Schuster that the bankers' balances with the Bank of England should not be increased, and he thought that the joint-stock banks had gone quite far enough when they permitted twenty millions of their reserves to be used twice. Sir Felix and the President of the Institute had come to the conclusion that it was advisable to have the bankers' balances with the Bank of England published separately. He was sorry to differ from them on that point. He heartily approved the recommendation that a committee of joint-stock bankers should act with the Bank of England. To the publication of weekly Balance Sheets, or of monthly Balance Sheets on the basis of averages, he would be favourably inclined if the fortnightly settlements on the Stock Exchange became, as in New York, daily settlements. Mr. Holden afterwards proceeded to construct a policy for increasing the national reserve of gold permanently. He contended that it was necessary to have one national reserve of gold, but with one part absolutely without restrictions in order to maintain our international financial position, and with another part placed under restriction so that that portion of the gold could not be taken away, and, in fact, could not be used except in case of a national emergency. He believed this could be done by adopting the proposition that, "it is the duty of every State to provide a sound and adequate currency." At the present time Ireland and Scotland could issue uncovered by gold £9,030,000 notes. They really issued £15,241,000; as they had to provide gold for an excess of notes over the former figure, it followed that they must hold about 6¼ millions of gold. They obtained this gold by driving in the Bank of England note, taking out gold, and against this gold issuing Scotch and Irish notes. If this issue were Bank of England issue then the gold in the national reserve would be increased by £15,000,000. While the Bank of France had in its bank-notes the power of increasing its gold, it also made use of a restriction in order to retain its gold. If a check were presented at the Bank of France it might be paid in silver. Having explained the reasons why it would not be advisable for this country to adopt the same restrictions, or to curtail our banking system so as to approximate to the banking system of France, he remarked that they must look in a different direction for accomplishing their object. He therefore asked his audience to imagine a circle, and to further imagine a figure of 50 millions inside the circle. This figure represented about the average amount of Bank of England notes issued and kept out during the last ten years. The Government had received 11 millions

of notes out of the 50, and against this, of course, the issue department had a Government debt. If the Government would hand back to the issue department these 11 millions of notes, and thus pay back the debt, then, as there was a demand in the country for these 11 millions of notes, it followed that the Bank of England could reissue them in exchange for gold, coming, say, from South Africa. We should then have in the issue department, instead of 30½ millions of gold, a sum of 41½ millions; the ratio of gold to notes would be 85 per cent, instead of 62 per cent., as it was at present, and the ratio of securities to notes would be 15 per cent. instead of 38 per cent. The position would thus be materially strengthened. But they were told that they could not use the additional gold for the reserve in the banking department, or, in other words, that this gold could not be taken away. But was not that exactly what they wanted, and had they not then a restriction placed on the 11 millions of gold similar in effect to the restrictions on the Bank of France gold? In that way they would get a national reserve of gold amounting to 41½ millions, 11 millions of which could not be taken away. In the circumstances of the gold being increased in the manner he had indicated they would be able, when the reserve of the Bank fell to a dangerous figure, and the Bank of England rate was at 6 per cent. or any other agreed rate, to create an issue of notes against securities, even to an amount of 11 millions, without placing themselves in any worse position than they were in at the present time. By adopting this expedient the Post Office Savings Bank would be relieved of the necessity of providing the four millions of gold advocated by Sir Felix Schuster, and just as efficient relief could be had for an internal drain as for a drain arising from any other cause. Further, in case we had an external drain, we should be in a better position by 11 millions than we were at the present time. Having contended that the Government would be justified, in the circumstances, in placing the country in this undoubtedly safe position by paying back the Government debt, he maintained that the chief way, if not the only way, to increase the reserves of the joint-stock banks in gold would be to draw notes out of the banking department of the Bank of England, and with them take gold from the national reserve in the issue department. This, of course, would lead to a contraction of the note issue, of the gold reserve, and of the reserve at the Bank of England. Up to this point the gold in the country would not be increased, but a vacuum being created in the reserve of the Bank of England, it would be necessary to put up, and keep up, the Bank of England rate until the vacuum in the reserve had been filled up by notes issuing from the issue department in exchange for gold imported. In this way the balances of the joint-stock banks in the Bank of England would be replenished to their old figure, and the joint-stock banks' reserves would be increased in gold. He was perfectly convinced that it was the duty of all the banks to increase their reserves and to do so with as little disturbance as possible to the trade and industry of the country. (Cheers.)

Mr. Henry Bell (Lloyds Bank) said he believed, with Sir Felix Schuster, that it was absolutely imperative upon bankers to maintain in all its freedom and fullness the free trade market for gold, which had been our pride in this country. The great feature of the Bank Act of 1844, to which bankers must look, was that it really left to the responsibility and duty of the directors of the Bank of England the making money dear or cheap as was necessary to the credit of this country. The Bank of England had done this work admirably, and it deserved and ought to receive the support of the other bankers of this country. He differed from Sir Felix Schuster as to placing in the coffers of the Bank of England the large sum they hoped to accumulate, and he agreed with Mr. Holden that it should be kept in the coffers of the joint-stock banks.

Mr. F. E. Steele (Parr's Bank) joined issue with Mr. Holden and Mr. Bell, that the banks should keep their reserves in their own vaults. In his opinion, the real obstacle to their making progress in regard to the question of gold reserves was that they could not be accumulated without some sacrifice being involved to the profits of the banks; but the effect in that respect of what had been advocated by Sir Felix Schuster had been very much exaggerated. Let them take the proposal that, so far as the joint-stock banks of the United Kingdom were concerned, eight millions should be gradually withdrawn from productive uses and made unproductive in the form of a central reserve, what would this mean to banking profits? He contended that they had only to allow 1¾ per cent. on that amount as the difference between dividends as they were now and as they might be under the new *régime*. Thus £140,000 was the price they were asked to pay for putting an end to the uncertainty in this direction and for filling up the one weak point practically in the financial system of the country. The question where the reserves should be kept was a moot point. He strongly deprecated the intervention of the State in any matter pertaining to the subject under discussion, which could be dealt with by the banks themselves.

Sir F. Schuster said that he would only very briefly reply on that occasion; no doubt they would permit him to give a more reasoned and thought-out answer, in due course, in the pages of the *Journal* to Mr. Holden's important speech. On the main basis of his proposals Mr. Holden was in agreement with him, or, if not in agreement with him at present, he did not think they would have much difficulty in arriving at an agreement. He would remind them that the proposals

he brought forward when he read his paper were absolutely tentative, and he suggested the formation of a committee of representative bankers—and on which the Bank of England should certainly be represented—to consider his suggestions. He knew that his scheme was not an ideal one. In his paper he advocated, as Mr. Holden had done that night, the repayment of the Government debt, only he stated that he did not think it was feasible at the present moment; and he would like Mr. Holden to answer this question—How did he propose that the Government should obtain the 11 millions? They must borrow the amount, and he thought they would all agree that the present moment was not opportune for doing so. He agreed on this point with Mr. Holden, only he thought that there was a great deal more which they could do in the meantime. He did not think it would be difficult for them to accumulate a stock of eight, ten, or 15 millions, if it were done judiciously and carefully, not when money was dear, but when it was exceedingly cheap. The difficulty was not to get the gold, but to retain it; and if judicious measures were adopted by the Bank of England with the committee he hoped to see established, he did not think that the market would suffer at all through the retention of the amount he wanted to see accumulated, and which would be an addition to the stock of gold in the country, because it would not slip away to other countries so easily. His point of difference with Mr. Holden and Mr. Bell was that he did not think that a proper remedy would be the holding in the vaults of the banks of the additional reserves suggested. What he believed was wanted was an addition to the central reserve. Having quoted from his paper in proof of his statement that certain critics had attributed to him opinions which he was very far from holding, he expressed a sincere hope that their meetings would have some result, and that, above all, they would lead to co-operation between the banks themselves and between the banks and the Bank of England. (Cheers.)

The President then proposed a cordial vote of thanks to Sir Felix Schuster, with whom and Mr. Holden he was in the main in complete agreement. He deprecated legislation; but, to avoid it, the banks must take the responsibility and the duty on themselves; and he sincerely hoped that the result of that discussion would be that the other London banks would come into line with the 12 publishing banks, and that their example would be followed by the leading country banks. In that case he thought that the desired object might be attained, for the banks could not publish statements without keeping an adequate reserve.

Mr. Hansard seconded the vote, which was carried by acclamation.

Sir F. Schuster, in reply, desired that Mr. Holden might be included in the compliment.

Depreciation.

By Max Teichmann, C.P.A.

Depreciation may properly be considered a branch of accounting science which, as yet, is not sufficiently appreciated. To treat all of its many features, phases, &c., would require the writing of a large volume, and then it would be found that not every question or point had been adequately and exhaustively covered. It often presents difficult problems in its proper treatment, and is subject to differing conditions, so that no hard and fast rules can be applied.

Depreciation is an impairment of the value of an asset by reason of wear and tear, accident, time, or similar causes. Furthermore, competition and improvement force frequent changes in plant value, which includes all machines, tools, and appliances used in factory production, because if the general plant effectiveness of a certain factory is exceeded by that of any other factory engaged in the same line of production a condition of inferiority is established which, if not removed by improvement of plant, leads to losses and certain extinction. This assurance of future improvement, considering the present era of mechanical changes, necessitates an adequate depreciation percentage, if the present value is to be correctly represented.

Objections are sometimes raised to writing off or reserving for depreciation. There are those who desire to make as good a showing—so far as profits and dividends are concerned—as possible, but fail to consider the injustice they do to succeeding directors and stockholders. Others claim that because repairs and maintenance have been charged to revenue, the value and effectiveness of the assets are the same now as they were at the beginning. They forget that, no matter how much has been spent for repairs, the time will surely come when the entire assets will have to be replaced, necessitating a capital expenditure and the burdening of profits made during that year with the entire loss. The serious consequences which often follow could easily have been avoided, if depreciation over the entire period of the usefulness of the assets had been properly taken care of. Still others claim that no depreciation need be considered, because the cost of similar assets has increased, and some particular asset in use is actually more valuable now than appears as purchase-price on the books. In this case it must be stated that where an asset has been purchased for the purpose of producing an income, and not for the purpose of a re-sale, it comes clearly under the head of "fixed assets," and no fluctuations can have any bearing on its book value.

In the street railway field it is often claimed that no depreciation need be allowed on the fixed plant and rolling stock, because, firstly, the amount involved is so large that mere repairs and renewals will average themselves; secondly, the natural growth of population will increase the earning power of the plants sufficiently to offset any deterioration in their physical condition, which can be made good by the issue of stocks or bonds. The fallacy of these contentions is clearly visible and hardly needs any further elucidation. It is obvious that proceedings of this kind must bring any legitimate enterprise down from a proper scientific accounting basis to a hazardous speculative basis.

Sometimes revaluations are desirable to test the sufficiency of estimated provisions for depreciation, but it must be borne in mind that a revaluation can hardly fail to take into consideration fluctuation as well as depreciation, and, consequently, will affect the real result of profit and loss.

The best plan is to take the actual cost of, say, a machine, ascertain its probable life or usefulness, less the break-up value (if any), and spread the cost over that ascertained period. This forms an equalised charge every year, which should be considered a working expense. Where items of different longevity or usefulness are carried on one account it is well to go into details at first, and to establish the average rate for depreciation on that account. Every year thereafter additions ought to be taken into account and a new average rate established. It is better, however, to have the account properly subdivided—*i.e.*, more accounts opened, in order to keep the several classes of assets of this kind separate.

There are four methods adapted to providing for depreciation, as follows:—

(1) By a fixed proportion of original value.
(2) By a fixed percentage of reduced balances.
(3) By an annuity system.
(4) By a sinking fund.

(1) The fixed proportion method distributes the depreciation by equal instalments over the period. (2) The fixed percentage method throws the greater part of the depreciation on the first few years. (3) By the annuity system the gross charge in respect of depreciation is constant, but the credits to revenue, in the shape of interest, diminish from year to year as the value of the asset decreases. (4) The sinking fund method is, perhaps, the most scientifically correct.

The first method is very generally used and can be applied to most concerns. The second method, throwing the greater part of cost to the first few years when the efficiency of the asset is greatest, works to a distinct advantage in a number of cases and ways, especially where machinery is subject to sudden mechanical improvements, thereby necessitating replacements in order to keep up the plant effectiveness. The third method has its advantages, but is rarely used in this country. The fourth method is not extensively applied by manufacturing and similar concerns for a number of reasons, one of which is that the capital invested in their own business earns a far larger amount of interest than can be secured by the outside investment of a sinking fund. Besides, if depreciation is kept in the shape of a Reserve Account, the amount of which may be invested in outside securities, this answers practically the same purpose. Revaluation may be considered a fifth method of allowing for depreciation, but, for the reasons already given, it is not advisable to encourage its use.

The following illustration will show the result of the four methods of depreciating, assuming that (*a*) machine has been bought and set up at a total cost of $1,000; (*b*) Its estimated life is twelve years; (*c*) the break-up value, or residual value, is $100; (*d*) the net cost, $900, is to be apportioned.

RESULT.

End of	Method 1.	Method 2.	Method 3.	Method 4.
1st year	$75.00 ..	$175.00 ..	$53.35 ..	$53.58
2nd "	75.00 ..	144.37 ..	56.55 ..	53.58
3rd "	75.00 ..	119.11 ..	59.94 ..	53.58
4th "	75.00 ..	98.27 ..	63.54 ..	53.58
5th "	75.00 ..	81.07 ..	67.35 ..	53.58
6th "	75.00 ..	66.88 ..	71.39 ..	53.58
7th "	75.00 ..	55.18 ..	75.68 ..	53.58
8th "	75.00 ..	45.52 ..	80.22 ..	53.58
9th "	75.00 ..	37.55 ..	85.03 ..	53.58
10th "	75 00 ..	30.98 ..	90.13 ..	53.58
11th "	75.00 ..	25 56 (21.09) ..	95.54 ..	53.58
12th "	75.00 ..	20.51 ..	101.28 ..	53.55
Compound Interest 6%	..	..	..	257.07
	$900.00	$900.00	$900.00	$900.00

The figures are to be obtained as follows:—

Method 1.—Ninety per cent. of cost spread over twelve years equals 7½ per cent. per year.

Method 2.—The fixed percentage on reduced balances is 17½ per cent. in this case.

Method 3.—The interest, 6 per cent., is charged to the asset, and a constant equal sum—sufficient to reduce the asset to zero or its residual value—is written off each year. The net result is the charging off of an increasing sum to revenue, and its justification is that the depreciation instalments remain in the business and thereby increase the working capital of the undertaking.

Method 4.—The sinking fund method hardly needs any further explanation, except that in this case the compound interest has been figured at 6 per cent.

Any of these methods may be employed, and, in case of the first two, instead of crediting the asset with

depreciation direct, thereby reducing the amount on that particular account, it has been found advisable to leave it intact during the whole life of the asset by having a Depreciation Reserve Account. In this case this Reserve Account is to be credited and revenue debited with the amount of depreciation. This reserve stands as a liability against those assets depreciated, but left intact on the books, and may either be used in the business or invested in outside securities. In the latter event this reserve would serve the purpose of a sinking fund, with the additional advantage that no fluctuation of interest in the future will affect it, because interest has not been considered at first, and the earnings on such outside investments are taken into revenue direct.

It is rarely necessary to correct inequalities which are inevitable under the mentioned methods of depreciation. However, it may be done in case, for instance, of an irregularly employed special machine, where it may be essential to have a more accurate treatment of depreciation. In that case depreciation may have to be based on the actual working hours of that machine or the number of pieces turned out. Owing to the difficulty of determining the working life or the effectiveness and productiveness of the asset under these circumstances, it is not desirable to have recourse to the time or quantity basis of apportionment, unless the ordinary methods give clearly inaccurate results.

(*The Journal of Accountancy, New York.*)

Meetings for the ensuing Week.

Tuesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—General Purposes Committee, at 3 p.m.

Wednesday—LEICESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Joint debate with the Leeds Society, at Winchester House, 1 Welford Road; 7 p.m.

Thursday — INSTITUTE OF CHARTERED ACCOUNTANTS.—Parliamentary and Law Committee, at 3 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Accounts of a Builder and Contractor," by Mr. J. A. Walbank, A.C.A., at the Hall of the Incorporated Law Society, Bowlalley Lane; 7.45 p.m.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Jan. 18th, was 161, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 93; Deeds of Arrangement registered, 68. The respective numbers in the corresponding week of last year were: Bankruptcies, 113; Deeds of Arrangement, 78—total, 191; being a decrease of 30. The total number of commercial failures recorded during the 3 weeks of the present year is 394; the total number recorded in the corresponding 3 weeks of last year was 464, showing a decrease of 70.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Jan. 18th, was 144. The number in the corresponding week of last year was 133, showing an increase of 11. The total number filed during the 3 weeks of the present year is 362; the total number filed in the corresponding 3 weeks of last year was 383, showing a decrease of 21.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Jan. 18th, amounted to £3,287,073, by way of addition to £671,073, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,282,222, showing an increase of £2,004,851. The total amount registered during the 3 weeks of the present year is £5,560,164 (in addition to the issues in previous years by the same companies), as compared with £4,747,734 for the corresponding 3 weeks in 1906, showing an increase of £812,430.

The Profession in Scotland.

Edinburgh Chartered Accountants Students' Society.

At a recent meeting of this Society an informal discussion took place on sundry subjects, of which previous notice had been given to the members, and the following resolutions were adopted:—

(1) That the "Check-Figure" System might be adopted to advantage by businesses where the transactions consist of many small items, but that it was yet to be seen whether it would be of equal benefit where large sums were concerned.

(2) That the "Loose-leaf" Ledger was a great boon to legal offices, so far as the business books were concerned, but with regard to the Cash Ledger it was essential that the key of the lock of the binding should be in the custody of either one of the principals or a confidential clerk who had no connection with the cash department.

(3) That testamentary trustees ought to set aside for depreciation a portion of the dividends received on shares in ships held.

(4) That calculating or adding machines would not be of great service to the accountant, unless the magnitude of his business permitted of a member of the staff being specially retained as operator, who would thus be thoroughly proficient in the use of such a machine.

Faculty of Actuaries in Scotland.

The third sessional meeting for the current session of the Faculty of Actuaries in Scotland was held on the 14th inst. in the Faculty's Hall, Edinburgh. Mr. Archibald Hewat, President, who occupied the chair, made reference to the loss sustained by the actuarial profession through the recent death of Dr. Hahn, of Magdeburg, who was President of the International Congress of Actuaries which met in Berlin in September, and one of the founders of the German Federation for Insurance Science.

Mr. Alfred Ernest Sprague, D.Sc., M.A., F.F.A., F.I.A., Assistant Secretary of the Edinburgh Life Assurance Company, submitted a paper entitled "Paid-up Policies and Surrender Values." The object of the author was to devise a scheme according to which these values could be calculated with a minimum of labour; and the greater part of the paper is taken up with a purely technical demonstration of the processes recommended. At the conclusion the following popular explanation of the nature of a surrender value was given:—

The business of insurance is based on the principle of averages—a large number of persons contributing sums into a common fund or "pool," which is divided amongst those members who sustain loss by the happening of the event insured against. For example, the owner of a house is liable to the risk of his property being destroyed by fire, and such a loss would be heavy if it fell entirely upon the individual. The risk of fire is small, and by means of fire insurance it is spread over so large a number of persons that the burden upon each is trifling. Each holder of a fire policy pays a small periodical premium to the office, and the total premiums thus received enable the office to make good the losses of those policy-holders whose property is burnt. That is to say, the losses of the few are met almost entirely out of the premiums paid by the many policy-holders whose property is not burnt. By paying the small premium the individual policy-holder is to that extent out of pocket, but he receives in exchange the assurance that if a fire does take place the loss will be borne for him. In other words, he incurs the *certainty* of a trifling outlay in order to remove the *possibility* of a serious loss. As the premiums paid to the office each year are only sufficient to meet the claims arising in that year, and remunerate the office for its trouble and expense in managing the business, it is clear that no return of premium can be made to those persons who suffer no loss by fire. This is now generally understood by business men who continue to pay fire premiums year after year without getting any tangible return for their money. They recognise the fact that the premiums they have paid have gone to recoup the losses of other policy-holders less fortunate than themselves, and to meet the necessary expenses of management.

When life assurance, however, is in question, some people still find it difficult to understand why the office is unable to refund all the premiums paid by any policy-holder who wishes to discontinue his policy. They overlook the fundamental principle of the business, which is, as already explained, the payment of claims out of contributions received from other policy-holders, in order to spread the individual losses over a large area and thus minimise their effect. It is certain that out of a large number of persons some will die in a year, and although the *proportion* of deaths can be predicted with comparative accuracy, it is impossible to foresee which *individuals* will die. The assurance office collects premiums from a large body of policy-holders on the condition that it will pay, as and when they die, certain sums to their representatives. If the probability of death were the same at all ages, the premiums required to enable the office to pay the claims as they arise would be the same at all ages, and the transaction would be precisely similar to fire insurance—each year's premium meeting each year's claims, expenses, &c., and leaving nothing over which could be returned as a "surrender value." As is well known, however, the probability of death increases with each year that passes, the increase being very marked as old age approaches. The premium paid for life insurance usually remains of the same amount during the whole term of the policy, being "levelled up" in such a way that in the long run the office receives enough to pay all the claims. This "levelling up" has the effect of making the premium greater at the beginning of the assurance but less towards the end of life than is necessary to cover the risk; and therefore the

claims of the first few years' assurance are less than the premiums received in that time, so that the office gradually accumulates a fund, or "reserve" as it is called. After the lapse of a number of years, when the lives become old and die more rapidly, the claims will necessarily exceed the premiums, and the difference has therefore to be met out of the fund accumulated in the earlier years. This fund is held by the office for the benefit of the policy-holders as a whole, and if one of them wishes to discontinue his policy it is only equitable that he should be entitled to a share of it. This share is what is known as the "surrender value" of the policy.

Now, as the fund is formed only from the balance of the premiums left over after payment of the claims, expenses, &c., it is clear that the total fund will, as a rule, be much less than the total premiums paid, and during the early years it will be only a very small proportion thereof. It follows that each individual's share of the fund (*i.e.*, the surrender value of his policy) must generally be much less than the premiums paid.

The subsequent discussion was taken part in by Mr. Chatham, Mr. Low, Mr. Gunn, Mr. M'Lauchlan, Mr. Maxwell, Mr. Rankin, Mr. M'Intosh, Mr. Evans, Mr. Hart (a visitor), and the President.

Dr. Sprague replied, and was thereafter, on the motion of the Chairman, accorded a hearty vote of thanks.

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Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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TABLE "A."

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Leading Articles.

The Leeds and District Chartered Accountants Students' Association.

THE recent annual dinner of the Leeds and District Chartered Accountants Students' Association (a full report of which appeared in our issue of the 5th ult.) appears to have been a great success. The chair was taken by Mr. JOHN GORDON, F.C.A., the President of the Association, and the company included the President of the Institute of Chartered Accountants, the President of the Society of Accountants and Auditors, and many others.

In the course of his interesting presidential address Mr. GORDON mentioned the desirability of registration for the profession, and pointed out that this method of dealing with the difficulties obtaining would have the advantage of leaving existing differences of membership untouched. It is, perhaps, an open question whether Mr. GORDON is right in assuming that it is the young Chartered Accountants in particular who have been the chief opponents of registration in the past. Undoubtedly it is they alone who would be called upon to make some sacrifices were some scheme for registration to be carried through, but the opposition to such a scheme has been by no means restricted to them in former years. At the same time, while undoubtedly there has been a good deal of modification of opinion during recent years, it may be doubted whether the time has yet been reached when a majority of Chartered Accountants would favour a scheme of registration, even if the effect of that scheme were to restrict the practice of accountancy to those entitled to be enrolled upon the Register, while registration without such restrictions would probably interest no one. A point that seems to be lost sight of in this connection is that while undoubtedly it would be necessary, in order to secure the benefits of any form of restrictive legislation, to open the doors wide to practically all applicants then claiming admission, provision would certainly be made at the same time for exercising a very strict measure of control over all registered accountants. The result of this would be that although in the first instance a large number of undesirable persons would no doubt have to be admitted provisionally, it ought not to be very long before an active and vigilant Investigation Committee had succeeded in striking off the roll all those practitioners whose conduct rendered them undesirable members of the profession. So long as any Act that might be passed provided really effective powers of expulsion in suitable cases, but little harm would be done by leaving the initial rights of entry fairly wide, and that harm—such as it was—would be merely transient.

On the subject of Sinking Funds and the so-called redemption of assets (whatever the expression may mean) Mr. GORDON showed himself rather at sea. Nor do we see why questions of obsolescence should be ignored merely because obsolescence is thought to be a hideous word. We are afraid that no useful purpose is likely to be served by loose talking. To us it seems that the statement that "the "opposition to the efficiency of a Sinking Fund "arose largely from a general aversion to "municipal trading" is meaningless, for, even supposing that the opponents of municipal trading *in toto* are as unreasonable in their prejudices as municipalists may wish to think them, we really do not know why they should be accused of "opposing" the "efficiency" of a Sinking Fund, or of anything else. It is inefficiency—or insufficiency, rather—that rational persons are more likely to object to, and upon this aspect of the matter Mr. GORDON was silent. Possibly, however, this was owing to an excess of that "imagination" which he regards as indispensable to the accountant. We entirely agree with this proposition in general terms, but imagination —like everything else—should, of course, be under control. We think it desirable to express a doubt as to whether it is expedient for accountant students and young practitioners to

enter a witness-box with the idea prominently before them that it is their duty to surmise what a cross-examining lawyer is after before answering his questions. They may rest assured that if the cross-examiner knows his business they will not find out what he is after until it is too late to be of any service. In the meantime they are far more likely to give their evidence correctly and usefully if they concentrate their attention upon the true facts, and their energies upon truthfully answering the questions that are put to them. If the questions put to them are so framed as to distort the facts, it is the duty of the re-examining counsel to bring matters into their proper perspective.

Mr. W. B. PEAT, who responded to the toast of "The Institute of Chartered Accountants," referred to the fact that it was in Yorkshire that he had achieved his great successes as an accountant. He referred to the enormous growth in the number of practitioners since 1880, and repeated the views that he has expressed from time to time elsewhere upon the desirability of some step being taken in the near future with a view to bringing about some efficient means of controlling the profession, and of excluding those who are either incompetent or undesirable.

Replying to the toast of "The Visitors," Mr. J. S. R. PHILLIPS mentioned that he thought there was much in common between the qualities that went to make a good accountant, and those that were required in journalism. It is, of course, true that both have to deal with accounts, although the term is employed by accountants in a much more technical and restricted sense than by journalists, with whom it is regarded as being practically identical with narrative. We are sceptical, however, whether the resemblance gets much beyond this point; for whereas the journalist invariably seeks to create a preconceived impression in the mind of his reader, the accountant aims at placing the facts before his hearer, leaving him to form his own opinions. However that may be, it is, we think, beyond dispute that the number of accountants who are successful journalists is extremely limited, whereas the journalist who is a competent accountant is practically non-existent. For all this, however, it is quite likely, we think, that Mr. PHILLIPS is right, and that each profession might learn much by studying the requirements of the other.

In conclusion, we must congratulate the Executive of the Leeds and District Chartered Accountants Students' Association upon a very successful evening, while the fact that their membership has increased from fifty-two to fifty-nine during the past year may be regarded as further evidence of progress—a progress which is attended by special difficulties in the case of Leeds, by reason of the somewhat exceptionally large area from which the members have to be drawn.

The Metric System of Accounts.

MR. ARTHUR CHAMBERLAIN, the chairman of Kynoch, Lim., has issued a statement bearing upon the conversion of that company's accounts and records to the metric system, which raises a number of points of considerable interest in view of the possibility that the pioneer work about to be undertaken by Messrs. KYNOCH may at some future date have to be followed by all other manufacturing houses in this country.

We understand that, so far as it relates to what is described as the interior work of th

undertaking, the whole of the clerical work will be carried out in metrics, but that that portion of the work which relates to dealings with the outside world will only be shown in metrics so far as these measures are already in use with customers carrying on business in countries where the metric system already obtains. Dealings with British and American customers will—perforce—remain upon the same lines as heretofore. According to Mr. CHAMBERLAIN, the changes necessary will be neither difficult nor expensive. At each receiving office an English weighing machine will be retained for checking the weights of all goods received, and these weights will then be translated into kilogrammes, and the cost of the goods into pounds and decimals of a pound sterling. For facility of calculation cards of equivalents will be provided, so that no actual calculation will in fact be necessary. At this stage we may point out, however, that it seems to us it would be a distinct advantage—at all events in the earlier stages of the new system—if the goods were actually weighed in kilogrammes as well as in tons, and the totals of the two weight columns tested periodically. This, we think, would provide a more effective safeguard against practically inevitable errors than the employment of equivalent cards, which may, of course, easily be misread. The goods once having been converted into metrics, all processes thereafter through the works will continue to record them as so many kilogrammes, priced out in decimals of the pound sterling; while measures of capacity will be similarly converted into litres, and measures of length into metres. At this stage undoubtedly a considerable saving of clerical labour will be practicable, on account of the simplification of calculations in the decimal system; and we imagine that this economy will be found especially advantageous in connection with the costs department, where somewhat minute calculations are the rule rather than the exception. The costs so ascertained in decimals of a pound will provide the basis for the selling price similarly expressed, and by means of another table of equivalents the goods sold can be readily invoiced up in pounds, shillings and pence in the usual way. Whether they will be so invoiced to customers abroad is not quite clear from the statement before us. Probably it would be a convenience to these customers, as facilitating calculations upon their part, if the money values were expressed in decimals of a pound; but that, after all, is not a very important point, one way or the other.

Considerable stress is laid upon the advantage of appealing to foreign buyers through the medium of a catalogue framed on measures that they understand, and can at once compare with the descriptions to which they are accustomed. It seems to us, however, that so far as the catalogue question is concerned, it would be a perfectly simple matter to have a foreign catalogue, based on metrics, without revolutionising the whole of the system of internal accounting. The practical difficulty in the way is, we imagine, rather that for the great majority of purposes—that is to say, in all cases where there is nothing very special to be gained by the contrary practice—it has been usual for those employing English weights and measures to manufacture articles to dimensions that can be readily expressed through these mediums without the employment of complicated fractions. Thus for a very large number of purposes it would probably not be very material whether (say) the thickness of an article were one inch, or ·025 of a metre; but

to express one inch accurately in metres would involve a large number of figures which would complicate calculations, even after making every allowance for the added simplicity of the decimal system.

Another point that occurs to us is that if the Cost Accounts are to be kept in metrics, it necessarily follows that wages must be charged up through the various Cost Accounts in the same way. It is, of course, quite possible to do this, and yet to actually pay wages in pounds, shillings and pence; but the dual medium necessarily involves additional accounting, and it would be interesting to know whether the extra cost of this is to be faced, and is regarded as worth incurring on account of the advantages derived in other directions, or whether Messrs. KYNOCH propose to arrange with their employees that their wages shall in all cases be computed in decimals of a pound, and the weekly or fortnightly total then paid on the nearest equivalent in pounds, shillings, and pence. When the basis of the wages is time, there is, of course, not very much in this point; but with piecework the matter is of considerable importance, as otherwise the number of individual items that would have to be converted into metrics would be sufficient to seriously increase the cost of the whole system.

It is estimated, we understand, that the adoption of metrics will in point of fact increase the costs of administration, and the increase is estimated at ½ per cent. of the annual net profits. This, however, can of course only be approximate, for the cost would in the ordinary course of things have no very direct relationship to the net profits, which would by no means vary directly with the amount of clerical work involved in the business undertaken. We can quite understand that, upon the system foreshadowed, the expenses will show an increase for the future; but that it should do so does not appear to us to constitute a very powerful argument in favour of the adoption of the metric system, seeing that its chief claim to consideration is its alleged simplicity, which should involve a corresponding saving of time, and consequently of money. But, however that may be, the experiment is a most interesting one, and our readers will doubtless be glad to be furnished with further particulars as soon as sufficient time has elapsed to enable its practical advantages and disadvantages to be developed in the course of actual working.

The Audit of the First Balance Sheet of a Limited Company.—I.

OUR issue of the 29th December last contained a full report of the lecture delivered by Mr. MATTHEW MITCHELL, C.A., at a meeting of the Glasgow Chartered Accountants Students' Society on the 22nd of the previous month, the full title of which is "Special Points "arising in the Audit of the First Balance "Sheet of a Limited Company formed to "acquire a Going Business." It will be seen that the subject selected was a somewhat general one, which, although undoubtedly of very considerable importance, hardly lends itself to treatment upon very advanced lines, because if what we may roughly describe as the "Intermediate" standard be exceeded, it becomes necessary to deal with a number of different points at far greater length than would be practicable within the limits of any one lecture.

It must not be supposed, however, on this account, that the paper now before us is by ar

means devoid of interest, even to practitioners. On the contrary, it covers a very large amount of ground, and although probably not one single point that arises is exhaustively treated, the paper as a whole may be regarded as infinitely suggestive, and will indeed probably be valued (by practitioners at all events) at least as much for what it suggests, as for what it explains in detail.

As an instance of what we mean in this connection we may refer to the statement that it is advantageous that two solicitors should be employed in preparing the agreement of sale—one on behalf of the vendors, and one on behalf of the purchasing company. With a view doubtless to reducing expenses it is a very common thing for all the necessary legal business to be transacted by the promoter's solicitors, with the result that the company is virtually unrepresented. While similarly the vendors, if they be other than the promoters, are often also dependent upon the promoter's solicitors for the preservation of their interests. Such a state of affairs throws more responsibility upon the solicitors than is either right or proper. The respective interests of vendor, promoter, and company are to a large extent antagonistic in most cases, and are by no means necessarily identical even in the case of a one-man company. It is, therefore, hardly fair to expect that one firm of solicitors can satisfactorily protect the interests of each one of the opposing parties, and it is pretty certain that in practice no very serious attempt to do so is invariably made. The promoters generally come first, the vendors a bad second, and the company nowhere. The point has perhaps not very much to do with the audit of the new company's first Balance Sheet, but it arises ometimes when, owing to the lack of due consideration in the construction of the agreement to purchase, it is found that its terms are either quite unintelligible, or else provide for something entirely different to the arrangements originally contemplated. It may be added that the employment of one firm of solicitors to look after the interests of three opposing parties does not invariably result in the interests of the party that actually pays being alone considered, although, of course, that is the most serious danger. In some cases at least the absence of that reasonable discussion which the employment of two or more distinct firms would involve results in terms being approved which fail to record the intention of the parties, or (as is sometimes the case) in terms which it is absolutely impossible for the parties to carry out, thus necessitating a supplementary contract with all its attendant inconveniences.

Attention is very properly directed to the importance of the auditor making himself familiar with the provisions contained in the company's articles of association, or, in the absence of such articles, with the provisions contained in Table A—whether the old or the amended edition. It should be borne in mind that the last-named is not retrospective, and thus only applies to companies registered on or before the 1st October 1906. Any company registered before that date may, however, bring itself under the operation of the new Table A by passing a special resolution to that effect, whether or not special articles of association had previously been filed. It would, no doubt, be a great convenience to auditors if the provisions of the new Table A were to become general, if only because it would obviate the necessity of their continually referring to and considering the provisions contained in diverse special articles, some of which are anything

but clearly drawn. A point, however, that the lecturer omits to mention, and which is, it seems to us, of even greater importance, is that the memorandum of association of the company defines the company's objects; and from the point of view of the auditor it may equally be said to define the several purposes to which the company's assets may be applied. Any application of the assets of a company towards a purpose not included in the company's memorandum is *ultra vires*; and this, it may be remembered, was the difficulty experienced by the Birmingham Small Arms Co., Lim., in defending itself against the action brought by Sir ALFRED NEWTON, which we discussed in these columns some six months since. Every difficulty in connection with the Secret Reserve might have been got over, had it been competent for the company to hand its surplus assets over to two or more of its directors for them to deal with in such manner as they might think fit. In that case, the legal ownership having been transferred from the company to the directors, clearly no further inquiry into the matter need be made by the company's auditors, and no disclosure made in the company's accounts. The memorandum, however, did not authorise the company to part with its assets in this way, and thus the directors had to discover another means of achieving the purpose that they had in view. In a like manner, of course, the application by a company of any of its funds towards the payment of corrupt commissions would be illegal, and therefore *ultra vires*.

Weekly Notes.

The Title "Incorporated Accountant." Just on going to press we learn, in the case of *Society of Accountants and Auditors v. Goodway and Others*, that an injunction has been granted restraining defendants from the use of the accountancy designation "Incorporated Accountant," leave to appeal being granted. The proceedings are given fully in our Law Reports this week.

Banking Practice. An Interesting Point. During the recent examination of two late members of the Stock Exchange, whose affairs are now being dealt with in bankruptcy, a rather peculiar point was disclosed. The parties in question appear to have bought certain securities for clients, who paid 20 per cent. as margins, the remaining 80 per cent. of the advances being obtained from banks on the strength of the securities, which were lodged with them. At the time of the failure the banks held all these s·curities, which were ultimately realised, and, as a result, several large claims were made against the estate by the parties who had paid the margins. In the course of the examination it was said that the pledging of these securities beyond the 80 per cent. was very unfair, but on behalf of the bankrupts it was pointed out that the stocks were in their own names, and that they had no control over the action of the banks when bankruptcy supervened. It was stated that the custom of the Stock Exchange on all loans was that the bank had the right to retain the stock until not only the 80 per cent. borrowed thereon, but all other private loans were paid. It would be very interesting to know whether this statement is founded upon fact. Perhaps some of our readers may be able to hark back on their experience for a similar point.

Business Men as Government Advisers. In the course of a very interesting article in a recent issue of *Commercial Intelligence*, discussing the question of the organisation of commercial bodies, it is remarked that our principal foreign rivals have probably little, if any, advantage over us in the matter of direct assistance which they receive from their Governments in the development of foreign trade, but in Germany and Hungary the opinion of practical business men is evidently more highly valued in the councils of their Governments than it is in our own. Germany has no Minister of Commerce, but the duties attached to such an office are performed by one of the departments of the Imperial Ministry of the Interior. The head of this department has several assistants called Councillors, each of whom is charged with the study of one or more particular subjects. This department works indepe· dently of the Foreign

Office, and is thus able to publish information much earlier than the latter can do. The information derived from German Consular officers is also dealt with by the same source, and all reports are remitted to the Chambers of Commerce, whose duty it is to pass these on to the various members. The Chambers of Commerce are semi-official bodies, whose functions and activities are strictly regulated by law. They may be said to be representative bodies, inasmuch as their members are elected by the manufacturers and wholesale dealers in each district. They are required to make annual reports to the Department of Commerce, they deal with complaints of German business men, and appeal to the Government where necessary, and they are said to be especially valuable to the Government as sources of information which comes directly from the business interests involved. Hungary appears to boast of several such bodies, among which are the Council of State Industry, the Council of Public Traffic, the Council of Public Edifices, and the Council of Customs Matters. We are also told that the Government sometimes submits for discussion to committees of experts, convoked for such purpose only, the text of proposed Bills and of Ministerial Orders. In any case, it appears to be quite a common practice for the Government to lay proposals bearing upon commerce and industry before the Chambers of Commerce, so that their opinions may be obtained. We are not quite sure whether the Chambers of Commerce in this country are all that might be desired, but if it were a practice to consult their opinions upon commercial points, doubtless in time a very competent class of members would be attracted, thus raising the level all round. At any rate, we appear to have something to learn from the two countries in question, as it is not unreasonable to urge that business men should be allowed to express their opinions upon Government measures dealing with commerce and industry.

A Point in Company Liquidation. The recent case of *Re Goldfields of Matabele Land, Lim.*, should not be overlooked. A resolution for voluntary winding-up had been passed by the company, but a shareholder who was dissatisfied with the arrangement, and for other reasons alleged in his petition, applied for a compulsory order. This was refused, but on appeal leave was given to cross-examine the managing director and the secretary, and it was ultimately decided that a case had been made out for investigation. It was directed that a meeting of shareholders should be called to determine the point as to whether voluntary winding-up should continue or a compulsory order be made. A meeting was held, and it was reported that out of the 60 shareholders attending in person 44 were in favour of continuing the voluntary winding-up and 16 voted for a compulsory order, and that shareholders, representing either in person or by proxy 176,575 shares, were in favour of voluntary winding-up; and, on the other hand, holders of 43,992 shares were in favour of a compulsory winding-up. It was held that sufficient grounds had not been shown to justify the Court in refusing to carry out the wishes of the large majority of the shareholders, especially as they were supported by creditors for a large amount.

Consolidated Rate Collection. Adverting to our note last week upon the move made by the city of Hull in the direction of a consolidated rate, it is interesting to note that official sanction has just been obtained by Leicester for the combination of the staffs at present separately collecting local rates and water rentals. The idea of one central office in which the district rate, poor rate, and the water rentals can be paid is certainly good, and is a step in the direction of a consolidated rate. Much argument appears to have taken place with regard to the question as to why gas rentals should be excluded from the new arrangements. The difficulty may be that local rates are usually collected yearly or half-yearly, while gas rentals fall due quarterly. It is rather difficult to see why gas rentals *should* be excluded, especially as at present the idea seems to be confined to a central receiving office, and not a central charging office.

The Law of Libel. Those interested in libel cases should not overlook *Edmondson v. John Birch & Co., Lim.*, in which *Pullman v. Hill & Co.* was distinguished. A letter which had been dictated to a shorthand clerk, afterwards typewritten and copied in a letter book, and a certain cable, which was in code, and a translation in a cable book were the main factors in the situation. The question turned on the matter of privilege, and in the Lower Court Mr. Justice Lawrence held that the occasion was privileged, as the letter and the cablegram were dictated in the usual and ordinary course of business, and that there was no evidence of malice, but he felt himself bound by the decision of the Court of Appeal in the case we have mentioned. It was held that, the business communica-

tion being privileged, the privilege covered all the incidents of the transmissions and treatment of that communication in the ordinary and usual way. The appeal was therefore allowed. With regard to *Pullman v. Hill & Co.*, in which a merchant wrote a libellous document, which was copied by his clerk, the ground of the decision was that the merchant was not doing a thing in the ordinary course of his business. The facts are rather interesting, and an instructive summary will be found in the *Law Times*, January 19th last.

Specific Bequests. Most of our readers are aware that every will has to be construed, so far as realty and personalty are concerned, as if it had been made immediately before the death of the testator, unless a contrary intention appears by the will. This is generally convenient, but difficulties arise where the nature of property which has been specifically bequeathed has been changed between the date of the will and the date of the death. In the case of *Re Slater* the testator bequeathed the interest arising from money invested in the Lambeth Water Works Company, but between the date of the will and the date of the testator's death the undertaking was acquired by the Water Board under the Metropolis Water Act, 1902, and a sum of Metropolitan Water Board Stock had been issued to the testator in substitution for his stock in the Lambeth Water Works Company. It was held that the description of the specific bequest did not apply at the death to the Metropolitan Water Board Stock, and it did not pass under the bequest.

The Law Society and Solicitors' Accounts. *The Globe* calls attention to the fact that four of the members of the Committee which the Law Society has now appointed to consider the safeguarding of clients' moneys were members of the similar Committee which sat in 1900. This Committee found it necessary to remind solicitors that they were not bankers, and ought not to make use of clients' moneys in their hands. It was added that, where accounts are properly and carefully kept, the books speak for themselves, and there is no absolute necessity for any separate banking account to secure this. It was subsequently stated that many solicitors did keep a separate banking account, identified as a trust fund, and the Committee thought this course was very desirable. It will be interesting to learn in due course what they now think of the same point.

Solicitors' and Clients' Moneys. In another column of the present issue we give a report of the address delivered by the Vice-President of the Law Society recently at the Society's Hall, upon the occasion of the distribution of certificates of distinction to law students. This address is of especial interest at the present time, as it serves to correct the exaggerated views that are being carefully fostered in some quarters as to the extent to which clients' moneys are being misapplied and made away with. It is possible that the general public may get an exaggerated view of the matter if they find reports of legal proceedings against a defaulting solicitor continually appearing throughout all the different stages of that procedure, thus giving the impression that what is really one fraud is many. We hardly think, however, that that is the true explanation. According to the reports of prosecutions the public forms the general impression that these frauds are increasing, and wonders whether there are not a number which have not yet been detected. Moreover, in such matters it is useless to attempt to get away from the fact that the reputation of a whole body of entirely reputable persons may be, and often is, seriously compromised by the misconduct of a few scoundrels. In this connection it may be remembered that it took the accountancy profession many years to clear itself from the stigma caused by the inability of quite a few of its members to account fully in accordance with the requirements of the then new Bankruptcy Act, 1883. The point is, it seems to us, not so much whether the public is reasonable in requiring something further to be done for its protection, but rather as to whether it is not wiser to meet the demand than to attempt to question its reasonableness. At the same time there can be but little doubt that in the heat of debate, and in the very natural indignation at the tactics pursued in the first instance by the Council of the Law Society, many solicitors have by their utterances and their letters admitted the need for some drastic reform, and in these circumstances it seems to us idle for solicitors to now attempt to persuade the public there is really nothing very much the matter.

The Law Society and Proxies. At a special general meeting of the Law Society, held on the 25th ult., the President, Mr. Henry Attlee, moved that the Council of the Society be requested to consider, and report to an early special meeting, the best means of ascertaining the opinions of the whole body of the members of

the Society upon questions on which a poll has been demanded and granted, by means of voting papers. The resolution was carried unanimously, practically without discussion. It is remarkable that hitherto the only form of poll sanctioned by the Society's bye-laws was one requiring the personal attendance of the voter —an arrangement which, of course, effectually prevented the poll from providing any reliable index as to the views of members throughout the country. There is, of course, not the slightest reason why a poll should not be taken through the medium of the post upon lines similar to those obtaining under the bye-laws of the Institute of Chartered Accountants; but, at the same time, it is quite conceivable that these regulations might be so made that even the scrutineers had no knowledge of the identity of those voting either for or against the motion.

Advice Concerning Income Tax. A contemporary has pointed out that the draft report of Sir Charles Dilke referring to the recent inquiry of the Select Committee on Income Tax contains the statement that, while it has been stated in evidence that many taxpayers place themselves in the hands of professional agents paid by commission, the Committee desire that it should be made generally known that applicants are entitled to obtain gratuitous advice and assistance from the Surveyor of Taxes. It may well be questioned whether it is desirable that the public should be made acquainted with these remarkable regulations. Those who have had experience know that a number of Income-tax Surveyors are very conscientious and painstaking in the advice that they give to those members of the public who consult them, but they know also that in all cases of doubt—and it is only in such cases that advice is really called for—the Surveyor occupies a position of dual responsibility, and invariably acts in favour of his department. It is not, of course, in reason to suppose that he would do otherwise, or that the Board of Inland Revenue would wish him to do otherwise. That being the case, it is clear that those who want to be well served must employ independent persons, and must be content to pay for the services that are rendered to them. Assuming that they take reasonable care to employ responsible people, and recognise that, as a rule, those who advertise are not those who occupy the highest position, there is every reason to suppose that they obtain full value for their money.

Friendly Society Audits. Our contemporary the *Sheffield Telegraph*, in an article extending to nearly a column, expresses the view that the system of audit hitherto employed by friendly societies is a failure, and that something more efficient is now required to take its place. These views have, apparently, been suggested by an inquiry now pending in the Sheffield Police Court, into the merits of which it is unnecessary for us to go. Our contemporary's conclusions, whether justified or not in this particular case, are by no means original. For years past we have pointed out that the statutory provisions with regard to the audit of friendly societies' accounts are most unsatisfactory, whichever of the available alternatives be employed. Two members, both utterly ignorant of even the fundamental principles of account and business, form no more efficient a safeguard than one for the purposes of detecting irregularities or dishonesty on the part of accounting officials. Although, no doubt, some of the public auditors may be competent, it certainly cannot be said that they are, by reason of their selection by the Treasury, in all cases fitted to discharge the duties that devolve upon them as sole auditors of registered friendly societies. The audit provisions of the Building Societies Act, 1894, are by no means ideal, but they are certainly far better suited to friendly societies than those which at present obtain.

The Metric System. In the course of a lecture on the metric system, delivered on the 23rd ult. in connection with the Chartered Institute of Secretaries, Mr. S. Jackson, M.A., pointed out that the crowning merit of the system was to be found in the relations of volume, capacity, and weight. The litre was equal to the cubic decimetre, and its weight when filled with water was a kilogramme, thus reducing many calculations which would be intricate on the English system to a surprising extent. Without wishing to underrate the importance of some recognisable connection between measures of length, capacity, and weight, we may point out that there could be no such thing as a uniform connection independent of atmospheric conditions. It would be like ignoring differences in foreign exchanges to ignore the fact that a given volume of water or any other commodity will not always weigh the same amount, and for many purposes serious inaccuracies would be caused if uniformity were to be of necessity assumed.

Bankrupt Solicitors. Commenting upon the new Act of Parliament which gives the Law Society power to refuse to renew the certificate of a solicitor who is an undischarged bankrupt, *The Financial News* suggests that there would be a good deal to be said in favour of refusing a certificate to a solicitor against whom judgments were outstanding, adding that in one case which recently came before it there were no less than twenty-two judgments recorded against a solicitor, some of which were certainly not satisfied. We wonder what our contemporary would make of a case in which it was for a long time found impossible to serve a solicitor with notice of attachment, because he was himself the Registrar of the local County Court and the solicitor who acted for him was the High Bailiff.

The Remuneration of Executors and Trustees. A letter from "Common Sense," appearing in a recent issue of *The Times*, suggests that now that the Public Trustee Act has been passed the time has come for the Legislature to assent to the principle that executors and trustees ought to be entitled to receive reasonable remuneration unless they choose to renounce it, such remuneration being, of course, subject to review by a Taxing Master. There is no doubt much to be said in favour of this view, more particularly bearing in mind the fact that the nearest relations of the deceased are by no means necessarily those most suited to carry out the trusts imposed in his will. It may be added, moreover, that in the United States, in Australia, and doubtless elsewhere, provision exists for the payment of those upon whom the execution of a will devolves, and that the system appears to work perfectly in practice.

Insuring against Reversals on Appeal. Our contemporary *The Solicitors' Journal* is apparently doing its best to belittle the significance of the fact disclosed in the course of a case which was recently held before Mr. Justice Phillimore, that litigants sometimes effect an insurance against loss caused by unsuccessful appeals or against loss caused by a successful decision in the Court of first instance being upset on appeal. Our contemporary seems to think that this is somewhat of a reflection upon the administration of justice, and is at some pains to assert that the practice is altogether insignificant, if not almost unknown. It occurs to us that if it be really a fact that the amount of business done in this way by Lloyds is but trifling, it is only because the manifest advantages of insurance in such cases have not hitherto been sufficiently appreciated. It is notorious that decisions are frequently appealed against by the unsuccessful party, and that as a result losses are sustained by the party successful in the first instance, whether or not the appeal be allowed. If the appeal be allowed, he is obviously far worse off than if he had lost his case in the Court of first instance. It is entirely reasonable to insure against such contingencies when the amount involved is too much to be conveniently risked, having regard to the means of the litigant, and we feel sure that, if it were more generally known that such losses could be insured against, a very large business could be done in this way. Whether, however, it could be made into a paying business would depend entirely upon the acumen of those who had to determine the rates chargeable in each case, and at the present time there would, it seems to us, be always a certain amount of lottery with regard to the view that the Court of Appeal would take upon most matters that come before it.

Order and Disposition. The decision in *Re Button; ex parte Havaside* is of very great interest to those whose practice includes matters of bankruptcy. The bankrupt had certain goods in his possession which came within the "order and disposition" clause outlined in the Bankruptcy Act, 1883. He presented his own petition, and the person to whom the goods in question belonged tendered a proof against the bankrupt's estate for the value of the goods on the ground that the bankrupt's act in filing his own petition gave rise to a claim of damages for a breach of undertaking to sell or return the goods. It was argued that in case of distress where one person's goods were lawfully seized for another person's debt, the owner of the goods was held entitled to indemnity. On the other hand, it was contended that the bankrupt had not committed any breach of contract by filing his petition, and that the loss was due to the operation of the bankruptcy law, consequent upon the goods being in possession of the bankrupt with the consent of the true owner, so as to bring them within the "order and disposition" clause. The trustee in the bankruptcy had rejected the proof, and the appeal which was now made against such rejection was dismissed. Mr. Justice Bigham remarked that the appellant had lost his goods by operation of law, and not by any act of the bankrupt, and he did not think there was any hardship, for it was his own consent which placed his goods in jeopardy.

Little Banks. A correspondent of a contemporary calls attention to the risk which many persons run by having transactions with the numerous minor banks which still exist in most large cities. The attraction seems to be the absence of charge for keeping the account, and the allocation of a small amount of interest for the minimum balance; and it is sought to show that in order to give these terms the small banks must go outside the range of legitimate banking, or, to put the matter in another way, they must run risks which the large banks avoid. The irony of the matter is that the very persons who could afford to deal with such institutions will not look at them, while those who should give them a very wide berth are most apt to take their accounts in that direction. It is, of course, well known that the more important joint-stock or private banks are prepared to keep an account without charge, provided that a sufficient balance is maintained to remunerate them for their trouble. The size of the balance, of course, varies in each particular case, but in these competitive times there should not be any necessity for the average person to court the expensive luxury of a small bank, when he can obtain absolute security at only slightly increased cost with the larger institutions.

Telephone Agreements. In the course of the hearing of an application for a new trial of the case of *H.M. Postmaster-General v. King*, it was pointed out that there was no obligation on anyone to have a telephone, but if he did he was bound to pay the second year's rent, unless he gave three months' notice to determine the contract. His Honour Judge Rentoul, K.C., who, it may be remembered, raised the question of the reasonableness of post office telephone agreements at the previous hearing, said that the case had never really been put before him in the proper way, and as the circumstances were now quite clear he would grant a new trial, and if the defendant chose to appeal he could do so.

Proxies. The decision in *Sadgrove v. Bryden and Others* settles the point that if a proxy is stamped at the time of its execution any blanks in it may be filled in afterwards by any person duly authorised. In the case in question the form of proxy was properly stamped when executed, but the date of the meeting and the date of its execution were left blank. It appears that, at the time of the execution, the date of the meeting and whether there was going to be a meeting or not were undetermined. Before the meeting was held, the person nominated as proxy received authority by cablegram to fill in the blanks which he did, and used the document at the meeting The objection taken to the validity of the proxy, therefore, failed.

The Publication of Particulars concerning the Estates of Deceased Persons. *The Financial News* calls attention to the fact that it is approached with increasing frequency by the solicitors to deceased persons' estates, and by the friends of deceased persons, requesting that any reference to the amount at which the estate has been sworn, or to the various devises and bequests which have been made, should be excluded from its columns. Our contemporary adds that where such particulars are not of imperative public interest it always endeavours to comply with the request, but as the movement is said to be assuming proportions of a general attempt to exclude such particulars, it is, perhaps, a question whether it ought to be allowed to go so far. It is also said that while there may be certain circumstances under which the publication of such particulars would be a source of annoyance, in the great majority of cases the deceased is nothing more than a name, and, for those who take a personal interest in the matter, even if such particulars were *not* published, they could always obtain the information by a small expenditure at Somerset House.

Business Men as University Advisers. The Council of the Birmingham University, in accordance with the decision, recently arrived at, to establish an advisory board of business men to co-operate with the Professors in the Faculty of Commerce, have, it is said, secured the services of the following well-known gentlemen:—Mr. Neville Chamberlain, Mr. G. H. Claughton, Mr. F. Dudley Docker, Mr. A. H. Gibson, Mr. Edward Hickman, Mr. W. E. Hipkins, Mr. J. S. Taylor, and Mr. T. Sydney Walker. We understand that the board has been created for a period of two years, until it is seen how the experiment answers. We have no doubt that if it is a success the institution will become permanent, the idea being to induce a steady flow of fresh life through the board, hence the short term of office.

Capital v. Revenue. The case of *Ashton & Co., Lim., and Others v. Honey and Others* should on no account be overlooked. The directors of a company passed a resolution that a sum of £250, by way

of commission, should be paid to the directors in consideration of their efforts towards effecting a contract with another company, and that the commission should be regarded as capital outlay. The company's articles provided that if any director should be called upon to perform extra services, or make special exertions on behalf of the company or its business, or give special attention to the business of the company, such director might be remunerated either by a fixed sum, or by a percentage of profits, or otherwise, as might be determined. The question raised by the motion was whether the resolution in question was *ultrâ vires* or not. Mr. Justice Parker is reported to have said that although the company could vote sums as special remuneration to directors the amount so paid *could not be debited to capital if they were to be carried to the Profit and Loss Account as working expenses.* He went on to say that no special article could allow such sums to be debited to capital outlay instead of profit and loss, and *primâ facie* they ought to be debited to the latter. In the present case he thought no injunction was necessary, but there would be a declaration that the company might pay the sums in question out of any moneys in their hands for the time being, but that such sums ought to be debited to profit and loss, and not to capital. We doubt whether this decision will be favourably received throughout the accountancy world, and will doubtless lead to some discussion. We might point out that it is quite obvious that the amount cannot be debited to capital as well as profit and loss, but as to which of the two be the ultimate destination must necessarily be affected by the particular circumstances of the question.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

BANKRUPTCIES AND INSOLVENCIES.

Re Webster; ex parte The Trustee. K.B.D.

Held (reversing decision of County Court Judge at Northallerton) that upon A., a debtor of B., paying the amount owing by him to B. over to C., who had obtained a garnishee order *nisi*, which was never made absolute, on the bankruptcy of B. A. must account to his trustee for the amount so paid to C. without proper authority.—(*Times*, Jan. 29.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.]

Professional Etiquette.

(To the Editor of The Accountant.)

SIR,—A case similar to the following has been discussed before, but I shall be glad to hear the views of your readers and yourself again.

I have been asked to prepare the accounts annually of a small hotel by some friends of mine. Up to now this has been done by another Chartered Accountant from a neighbouring town, who was employed before I was out of my articles. Now that I am in practice my friends, who are the co-owners (*not* a limited company), think I should have the work, and offer it to me.

Am I justified in accepting it? There is nothing against the previous auditor, he is a very capable F.C.A., but being a young practitioner I can't afford to throw away even a small fee.

Yours faithfully,

23rd January 1907. SEVERN, A.C.A.

[If the facts are as stated, there can be no possible objection.—ED. *Acct.*]

A Subject for Students' Discussions.

(To the Editor of The Accountant.)

SIR,—In reading reports of lectures and essays at students' meetings and other gatherings of the profession, it would appear that gentlemen find difficulty in choosing subjects which have not been recently treated.

May I suggest a practical one either for discussion or for comment or correspondence in your columns.

The best procedure under the following circumstances:—

A trader, whose books have been a Sales Ledger and a Purchases Ledger only, without a Cash Book, but with loose and incomplete memoranda of expenses, dies suddenly, and intestate, le?

widow and children. An accountant is placed in charge with instructions to continue the business for the present, and to produce a statement of affairs, together with a Trading and Profit and Loss Account for the last few years, and to advise the administrators as to feasibility and prudence of continuing the business for the benefit of the intestate's family or of disposal of it otherwise.

I submit such circumstances, which are of frequent occurrence, make considerable call upon the student's knowledge of "Executorship Law and Accounts," "Auditing," "Investigation," "Agency," and upon his business acumen and common sense.

Yours truly,

NORTHERN.

January 25th 1907.

The Birmingham Chartered Accountant Students' Society.

The Present Legal Position of Auditors, their Rights and Responsibilities.

By J. J. Parfitt, B.A., Barrister-at-Law

A paper read before the Birmingham Society on October 30th 1906, Mr. A. H. Gibson, F.C.A., presiding.

It will be noticed that the present paper deals with the legal rights and responsibilities of auditors strictly so called. It would require a series of papers to deal satisfactorily with the rights and responsibilities of accountants, and I cannot pretend to have a sufficient knowledge of the various detailed duties of such a body to deal properly and carefully with the technical matters that would be involved in such an inquiry.

I propose to speak to you about auditors, about those skilled persons whose duty it is to examine the accounts of a company, firm, or person, so as to ascertain the exact financial condition of their or his affairs at a given moment; and, further, I propose to limit the inquiry still more—namely, to an investigation of the rights and responsibilities of private as distinguished from official auditors. The latter are officers connected with or appointed by one or other of the Government departments, the former are now usually professional men (not amateurs) selected by the persons interested in the work to be done.

The office of auditor is undoubtedly a very old one. At first it was held by persons who were in form and substance Government officials, and their main duty would seem to have been in early times to check orally the accounts which had to be submitted to them. But as time passed, and the commercial transactions of the country became more important and complicated, it gradually became the practice for merchants and others to appoint men to keep their accounts and to prepare statements of them from time to time. Hence was gradually evolved a body of trained and experienced professional men, whose status was only gradually recognised by the State, and it must seem strange to the members of this Society that it was not until the year 1880 that the Institute of practising professional accountants (itself formed in 1870) obtained its Royal Charter. Some of the larger Scotch towns, like Edinburgh, Glasgow, and Aberdeen, had been successful earlier in the same direction. Thus gradually and surely the profession of an auditor came to be recognised, and the rights generally of a professional man are not, as a rule, difficult to determine. These depend upon, and are defined by, the bargain between the auditor and the company, firm, or person by whom he is employed, and the auditor should at the outset of the performance of his work ascertain precisely what piece of work he is engaged to perform, what facilities are to be afforded to him for carrying it out, and what payment he is to receive for his services. His duties are highly responsible and varied. He may be engaged to audit accounts on behalf of traders who desire to find out their financial position, or who desire some check upon their accountancy department; he may be employed to report on the accounts with a view to the conversion of a business into a joint-stock company, or he may be desired by a committee of shareholders to investigate and make a special report upon the affairs of the company, or to perform many other services. In all these and similar cases his rights and duties must really depend upon the contract entered into by him with the persons who engage him. This much is at least clear, that the law empowers the auditor to have such facilities for doing the work he has undertaken to do as will enable him to exercise reasonable skill, care, and caution. "Right" and "duty" are in a sense correlative terms, as indeed "negligence" and "duty" are. The auditor is, whatever the general terms of his bargain may be, entitled to the information from his employers (whether furnished by account books or otherwise) which will enable him to discharge his duty; there can be no breach of duty if the person complaining of it refuses to furnish the auditor with the material without which such duty cannot be performed. All this may seem rather general and self-evident, but it is, I think, useful. The rights and responsibilities must vary according to the bargain made and the work agreed to be done. The real point, however, of importance to those entering the profession is to get at the general principles which at once define the position of an auditor and measure his

responsibility, and one of the best ways of determining this question is by considering his duties in respect of that well-known document known as a Balance Sheet; and I should like to acknowledge here fully the great help I have derived in my investigations from the study of such excellent works as "Pixley on Auditors," and from such well-written treatises as the one on "Auditors," which appears in the "Encyclopædia of the Laws of England."

After a careful perusal of the decided cases, I think that the following propositions may be laid down as embodying such general principles:—

(1) It is *doubtful* whether it is any part of the auditor's duty to inquire into *the validity* of any transactions appearing in the account. (*Speckman v. Evans*, 1868, L.R. 3 H.L. 171.)

Point.—Ought Joseph Speckman at the time of the winding-up order of April 20th 1861 to have been placed upon the list of contributories of the Agriculturists' Cattle Assurance Company?

It became a question whether the shareholders of the company had acquiesced in a certain arrangement whereby the appellant Speckman was allowed to retire from the company? This acquiescence depended upon the question whether a certain entry, "Cancelled Shares," was so entered as to affect the shareholders with knowledge. It was sought to impute the knowledge of the *auditors* to the *shareholders*.

The following extract from the speech of Lord Chelmsford in the House of Lords is interesting:—"It was said "that although the shareholders might have been kept in "ignorance of the arrangement with the appellant and "others, yet that it must have been known to the auditors "of the company and that their knowledge must be "imputed to the shareholders. In support of this proposi-"tion the opinion of Lord Justice Turner in *Nichol's* case "was again referred to, where he said, 'There were "'auditors of this company appointed by the shareholders. "'These auditors were, within the scope of their duty, at "'least as much the agents of the shareholders as the "'directors were, and the false and fraudulent representa-"'tions were discoverable by them.' But with great "respect for every opinion entertained by the late learned "Lord Justice, I cannot help expressing a doubt whether "he was correct in treating the auditors in that case as the "agents of the shareholders, or in holding that in their "exercise of their duty they would necessarily have dis-"covered the fraudulent representations of the directors. "It seems to me unreasonable that in the present case the "auditors are agents so as to conclude the shareholders by "their knowledge of any unauthorised acts of the "directors. It would be no part of their office to inquire "into the *validity* of any transaction appearing in the "accounts of the company."

Speckman's case is one of the earliest cases in which an auditor's responsibility is touched upon, and although, upon a consideration of the 107th clause of the deed of settlement of the above-mentioned company, which prescribed their duty "To inspect, examine, and check "receipts, payments, vouchers, and accounts of the com-"pany," it may be contended that their duty in that case did not extend to inquire into the validity of the particular transaction, the general principle cannot be safely acted upon, and I do not think that auditors act upon this view of the law in practice. Again, the case turned rather upon a point of agency than upon any point which clearly illustrates what the duties of auditors may be.

The better opinion seems certainly to be this, that an auditor must deal with questions of validity of transactions, *e.g.*, such questions as the violation of articles of association and the like, at all events, up to the point where the taking of legal opinion becomes necessary or advisable.

(2) The auditor must not confine himself merely to the task of verifying the arithmetical accuracy of the Balance Sheet. He must inquire into its substantial accuracy, and ascertain that it contains particulars specified in the articles of association, and is properly drawn up so as to contain a true and correct account of the state of the company's affairs.

The following case is a sufficient authority for this proposition—namely, the *Leeds Estate, Building and Investment Company, Lim. v. Shepherd and others* (36 Ch.D. 787). In this case the Balance Sheets on which the dividends were declared were prepared by the manager of the company. They were delusive; they over-estimated the assets of the company, and were framed with the object of showing a profit available for a dividend. The auditor seems never to have looked at the articles of association, but accepted the statements of the manager, and certified from time to time that the accounts submitted to him were true copies of those shown in the books of the company. No proper statement of income and expenditure or auditor's report was ever laid before the company.

The argument presented to the Court on the auditor's behalf was this:—

(*a*) This is the first time that an auditor has been made a defendant to an action of this character—namely, one by the company in liquidation for damages for breach of duty.

(*b*) The auditor in this case was a mere servant of the directors, employed at first at a salary of only five guineas, and such salary never exceeded £12.

(*c*) His duty was merely to see that the Balance Sheet represented and was a true result of what appeared in the books of the company; and his certificate went no further than that:—

"I certify that I have examined the above accounts, and find them to be a *true copy* of those shown in the books of the company."

(*d*) The auditor is a machine for this purpose only, and a true Balance Sheet from his point of view is one which shows correctly what appears in the company's books. When he finds in the books that debts are due to the company, all he can do is to ask the directors and manager whether they are good debts; and if he is told that they are, he is justified in making his certificate. He cannot go behind the books of the company. The inconvenience of requiring more from an auditor is obvious.

(*e*) Having regard to the amount of the auditor's remuneration, it would be one of the most alarming and ill-paid of occupations if he were to be liable for the remote consequences of the admission of particular items appearing, as he is correctly told in the company's books.

Mr. Justice Stirling, however, held otherwise, and clearly laid down that the auditor does not properly and adequately discharge his duties by merely checking the figures, or by merely verifying the arithmetical accuracy of the Balance Sheet. He must go further, and carefully inquire into the soundness of the figures on each side of the statement, *e.g.*, he must see and inquire into the figures which deal with the amount of stock-in-trade, and consider with reasonable care the report of the manager and foreman whose duty it is to make such report, and in the result the auditor was held liable in damages, except as to so much thereof as was covered by the Statute of Limitations.

This case is also a valuable one upon the question whether the auditor is legally compelled to ascertain for himself whether the items making up the total figure representing the asset of "Sundry Debtors" are reasonably and fairly sound. There are various ways, of course, of doing this, but the inquiry must be made, whatever the result, and it seems to me that it is quite impossible—whatever the articles of association may say—for the auditor to sign the certificate and make the report prescribed by Secton 23 of the Companies Act, 1900, unless and until he makes these inquiries, so as to be able to say that the books themselves do really show the company's true position. Possibly on some future occasion I may be able to discuss this important question more fully.

All this requires skill, tact, and courage; but it will usually be found that the auditor possessing these qualifications will succeed in the discharge of his responsible duties, and will by so acting and doing prove himself worthy of the important profession into which he has been admitted.

I think that the leading cases upon the duties of auditors, to which I will refer a little later, also justify me in laying down the following further propositions:—

(3) That the auditor must ascertain the true financial position of the company whose accounts he audits by an examination of the books, and that he must take reasonable care to see that the books themselves show the company's true position; he must check the Balance Sheet against the books and examine it with the vouchers and make a report to the shareholders.

(4) That the auditor is under no obligation to be *suspicious*, and he is perfectly justified in acting on the opinion of experts whose special knowledge enables them to assist him. He is entitled to believe tried servants whom the company also trust. If anything arouses his suspicion he must go through with the matter, and take reasonable care not to allow himself to be deceived, and to this end he must himself examine the books, vouchers, and other commercial documents.

(5) That the auditor must report anything of a serious nature to the shareholders; for instance, if the profits, or want of profits, do not justify the payment of a dividend, he must tell the shareholders so, if the directors fail or refuse to do so.

(6) That it is no part of an auditor's duty to *take* stock, and he is entitled to rely upon stock certificates, even if they turn out to be false, provided they are produced by the proper persons, and provided that their falsity could not be discovered by an ordinarily careful auditor.

(7) That it is no part of an auditor's duty to give advice as to how best a business can be carried on, nor as to whether a particular step is wise or not, nor as to anything of a domestic internal business character which has been entrusted to the directors by the shareholders. His province is to ascertain the true financial position of a concern at the time of audit, and his duty is confined to that.

The first case which, in my opinion, justifies some of these general propositions is *In re London and General Bank* (No. 2), reported in 1895, 2 Ch. 673.

Facts.—The London and General Bank was a banking company registered under the Companies Act, 1879, and was formed for the purpose of making loans to and otherwise assisting what was known as the "Balfour" group of companies, and its profits consisted mainly of interest and commission payable by such companies. The auditor was held liable in respect of his certificate on the Balance Sheet of 1891. His report to the directors was made on February 3rd 1892. In the Balance Sheet for 1891, to which that report referred, the most important asset was £346,975, put down as "Loans to Customers and other

Securities," and the report contained a detailed statement calling the directors' serious attention to the unsatisfactory nature of these loans and securities and the difficulty of their realisation.

"We cannot," say the auditors, "conclude without "expressing our opinion unhesitatingly that no dividend "should be paid this year." This sentence, however, the auditors were persuaded by the chairman to strike out before the report was formally laid before the directors. At the end of the certificate appeared these words: "The "value of the assets as shown on the Balance Sheet is "dependent upon realisation." On this point the auditors had previously reported to the board, dwelling strongly in their report upon the difficulty, if not the impossibility, of such realisation.

It was contended upon the auditor's behalf that he had performed his duty in warning the directors, and that it was no part of his duty to certify to the shareholders the value of the securities. His duty (it was said) was to examine the books, and he must accept those books as he found them. He was to ascertain the cash at the bankers, ask for the vouchers, and see that the securities were there.

Lord Lindley (then Lord Justice Lindley) in due course proceeded to read a judgment, which is generally and justly regarded as one of the most luminous expositions of the law relating to the duties of auditors which have ever been delivered, and I need not make any excuse for reading out to you a lengthy but interesting extract from such judgment:—

"It is impossible to read Section 7 of the Companies "Act, 1879, without being struck with the importance of "the enactment that the auditors are to be appointed by "the shareholders, and are to report to them directly, and "not to or through the directors. The object of this enact-"ment is obvious. It evidently is to secure to the share-"holders independent and reliable information respecting "the true financial position of the company at the time of "the audit. The articles of this particular company are "even more explicit on this point than the statute itself, "and remove any possible ambiguity to which the language "of the statute taken alone may be open if very narrowly "criticised. It is no part of an auditor's duty to give "advice, either to directors or to shareholders, as to what "they ought to do. An auditor has nothing to do with the "prudence or imprudence of making loans with or without "security. It is nothing to him whether the business of "the company is being conducted prudently or im-"prudently, profitably or unprofitably. It is nothing to "him whether dividends are properly or improperly "declared, provided he discharges his own duty to the "shareholders. His business is to ascertain and state the "true financial position of the company at the time of the "audit, and his duty is confined to that. But then comes "the question, 'How is he to ascertain that position?' "The answer is, by examining the books of the company. "But he does not discharge his duty by doing this without "inquiry, and without taking any trouble to see that "the books themselves show the company's true position. "He must take reasonable care to ascertain that they do so. "Unless he does this his audit would be worse than an idle "farce. Assuming the books to be so kept as to show the "true position of a company, the auditor has to frame a "Balance Sheet showing that position according to the "books, and to certify that the Balance Sheet presented is "correct in that sense. But his first duty is to examine the "books not merely for the purpose of ascertaining what "they do show, but also for the purpose of satisfying him-"self that they show the true financial position of the com-"pany. This is quite in accordance with the decision of "Stirling, J., in *Leeds Estate and Buildings Investment Com-"pany v. Shepherd.* An auditor, however, is not bound to "do more than exercise reasonable skill and care in making "inquiries and investigations. He is not an insurer; he "does not guarantee that the books do correctly show the "true position of the company's affairs; he does not even "guarantee that his Balance Sheet is accurate according "to the books of the company. If he did, he would be "responsible for error on his part, even if he were himself "deceived without any want of reasonable care on his "part, say, by the fraudulent concealment of a book from "him. His obligation is not so onerous as this. Such I "take to be the duty of the auditor; he must be honest—"that is, he must not certify what he does not believe to "be true, and he must take reasonable care and skill before "he believes that what he certifies is true. What is reason-"able care in any particular case must depend upon the "circumstances of that case. Where there is nothing to "excite suspicion very little inquiry will be reasonably "sufficient, and in practice I believe business men select "a few cases at haphazard, see that they are right, and "assume that others like them are correct also. Where "suspicion is aroused more care is obviously necessary; "but still an auditor is not bound to exercise more than "reasonable care and skill, even in a case of suspicion, and "he is perfectly justified in acting on the opinion of an "expert where special knowledge is required. The "auditor's evidence satisfies me that he took the same view "as myself of his duty in investigating the company's "books and preparing his Balance Sheet. He did not con-"tent himself with making his Balance Sheet from the "books without troubling himself about the truth of "what they showed. He checked the cash, examined "vouchers for payments, saw that the bills and securities "entered in the books were held by the bank, took reason-"able care to ascertain their value, and in one case "obtained a solicitor's opinion on the validity of an

"equitable charge. I see no trace whatever of any failure "by him in the performance of this part of his duty. It is "satisfactory to find that the legal standard of duty is not "too high for business purposes and is recognised as "correct by business men. The Balance Sheet and certifi-"cate of February 1892 (*i.e.*, for the year 1891) was accom-"panied by a report to the directors of the bank. Taking "the Balance Sheet, the certificate, and the report together, "the auditor stated to the directors the true financial "position of the bank, and if this report had been laid "before the shareholders he would have completely dis-"charged his duty to them. Unfortunately, however, this "report was not laid before the shareholders, and it "becomes necessary to consider the legal consequence to "the auditor of this circumstance. A person whose duty it "is to convey information to others does not discharge that "duty by simply giving them so much information as is "calculated to induce them, or some of them, to ask for "more. Information and means of information are by no "means equivalent terms. Still, there may be circum-"stances under which information given in the shape of a "printed document circulated amongst a large body of "shareholders would, by its consequent publicity be very "injurious to their interests, and in such a case I am not "prepared to say that an auditor would fail to discharge "his duty if, instead of publishing his report in such a "way as to insure publicity, he made a confidential report "to the shareholders, and invited their attention to it and "told them where they could see it. The auditor is to "make a report to the shareholders, but the mode of doing "so and the form of the report are not prescribed. If, "therefore, the auditor had laid before the shareholders "the Balance Sheet and Profit and Loss Account, accom-"panied by a certificate in the form in which he first pre-"pared it, he would perhaps have done enough under the "peculiar circumstances of this case. I feel, however, the "great danger of acting on such a principle; and in order "not to be misunderstood I will add that an auditor who "gives shareholders means of information instead of "information respecting a company's financial position "does so at his peril, and runs a very serious risk of being "held judicially to have failed to discharge his duty."

Another case of considerable importance and weight in connection with our subject is the case of *In re Kingston Cotton Mill Company* (1896, 1 Ch. 331).

The facts of it may be concisely stated as follows:—

The company was formed in 1879, and Mr. Pickering was its sole auditor for twelve years, and he signed all the Balance Sheets during that period.

In the summary of accounts accompanying the directors' report for the year 1879, and issued in 1880 under the head of "Assets," was an item:—

"Mill, Machinery, and Site, Construction Account as "before, £227,048."

The next item, "New Machinery," £327, was added, making a total of £227,375, from which was deducted "Depreciation written off, £4,046," leaving a balance of £223,329.

In December 1884 the directors procured for the purpose of obtaining a loan on mortgage a valuation, in which the total value of the mill, site, machinery, and certain articles in the shape of plant was put down at £76,833.

No reference was made to this valuation in the subsequent reports of the directors, and in the Balance Sheet for 1889-1892 the same items, with a few others, appeared at the figure of £196,610 0s. 7d.

In the same way the value of the stock-in-trade "as per manager's certificate" was greatly overstated in the Balance Sheets, and the auditor accepted such certificates, without in any way testing their accuracy by a comparison of the figures in the books that required auditing.

The result was that for some years a dividend was declared and paid, although if, from the amount stated in the Balance Sheets as the value of the assets, the excesses in value of the mill premises and the stock together, or the excesses in value of either of them, had been deducted there would have been no sum left available for the payment of dividends.

It was sought to make the auditors (amongst others) liable for the sums paid away in dividends, and for damages said to have resulted from continuing the company's business beyond the period when it was doing well.

In argument it was said that it was not the duty of the auditor to go and examine the bales of cotton. The stock-taking could only be done by experts, and it was asked whether the auditor of an insurance company was bound to value the policies.

In a very careful judgment Lord Justice (then Mr. Justice) Vaughan Williams dealt with the auditor's duty thus:—

"With regard to the auditors the case is more difficult. "They are, of course, entitled to the benefit of my decision "with respect to the dividends . . . and in regard to "the remoteness of the damage; but with regard to the "stock-in-trade their case is very different from that of "the directors; for they certainly were not entitled to rely "upon the manager's certificate if an ordinarily careful "examination of the books ought to have made them "suspect that statement. Now it is plain to me that if the "auditors had added to the stock-in trade at the beginning "of any year the purchases of raw material in that year, "and had deducted therefrom the sales, they must have "seen that the statement of the stock-in-trade at the end of "the year was so remarkable as to call for explanation, and "they called for none. It is said that it is no part of an

"auditor's duty to take stock. I agree, it is not; but where "it is said that it is no part of his duty to test the accuracy "of the manager's certificate by a comparison of the "figures in the books that require auditing, I cannot agree. "I think, therefore, that I must hold the auditors liable for "the preference dividends which have been paid . . . . "and, having regard to the mode in which the auditors dis-"regarded the articles as to the audit, and the manner in "which the audit was carried out, I do not think they ought "to receive any costs."

This *Kingston* case is a very instructive one, and I very strongly recommend the students of this Society to become familiar with it. It shows how far the statement is correct that it is no part of an auditor's duty to take stock, and indirectly supports the proposition already mentioned that the auditor need not be suspicious, and is fully justified in acting upon the opinion of experts, provided nothing in the books themselves arouses his suspicions. As a rule, the inaccuracies or misstatements (intentional or otherwise) in Balance Sheets are in practice found to be on the credit side, and usually centre in such items as Goodwill, Stock-in-hand, Patent Rights, Sundry Debtors, &c., and if later in its history a company goes into liquidation the disappointed shareholders angrily turn round and search for any and every means by which they can make the directors mainly, and the auditors in some instances, answerable for the losses which they have sustained. In such cases, if the auditor can show that he has systematically from time to time called to the directors' attention the age, so to speak, of the goodwill, and has urged them (in writing) to steadily write down this asset by providing against it a portion of the annual profits, and if the result of such warning appears in consequence in the directors' report, or (in extreme cases) if the auditor mentions the matter in his certificate and report, then I do not think that any case of default of duty can be made out against him. It is clear, I think, that in the case of a newly-formed company which has taken over a business of prosperous dimensions, some figure must be adopted to represent the value of "goodwill," but the sooner it is written down the better, as, in case of disaster, the company's "goodwill" becomes almost worthless, and a provident Balance Sheet ought to be drawn up in the light of the possibility of the trading concern becoming insolvent. (See hereon a very valuable article in "The Financial Review of Reviews" for March 1906, entitled "How to read a Balance Sheet," by Mr. George Withers.)

It is laid down in the last-mentioned article that stock-in-hand should not exceed an amount equal to about eighteen months' turnover, as any excess is apt to become worthless from deterioration and many other causes. It is certainly vital that the auditor should carefully check throughout the books all the various figures relating to the stock that appear as one grand total in the Balance Sheet; and if he has substantial reasons for supposing that the figures are inflated in any sense, he ought to put questions to the valuer, whether he be a trusted servant of the company or someone called in for the purpose, with the object of satisfying himself that such figures fairly represent the then market or realisable value of the stock. This is, of course, to trespass upon the valuer's own province, but if the auditor does not do this, in noticeably suspicious cases, I mean, then I cannot see how he can discharge the duty to which I have already referred summed up in these words: "If anything occurs to arouse his suspicion he "must go through with the matter, and take reasonable "care not to allow himself to be deceived, and to this end "he must himself examine the books, vouchers, *and other* "*commercial documents.*"

Time is passing, but I should like again to refer quite shortly to the "Sundry Debtors" item of the Balance Sheet. When times are bad or critical there is a strong inducement to directors to bring into the credit side of the balance every item which will make that side look as promising as possible. Suppose there is included in the "Sundry Debtors" item a figure which in the past has been, or in the future may be, a sound one—that is, which with substantial accuracy may be taken to represent the value of the debt—but suppose further that such figure *now* at the date of the particular Balance Sheet is grossly in excess of the real value of such debt, or, to put it still more strongly, that the debt is for the present so clearly bad that it is impossible to provide for it as a *doubtful* one? Under such circumstances what is the auditor's duty? Is he to pass the inflated item? In my opinion, I cannot see how he can properly do so. He is auditing for the present, not for the past or future, and he ought to insist upon the item being reduced to its now realisable value, whatever that may be, or whatever the directors may say or do; and if he is over-persuaded to allow the inflated figure to appear in the Balance Sheet issued to the shareholders, I consider he incurs a very serious liability, and may in case of litigation have to repay by way of damages some portion, if not all, of the dividends paid upon the faith of such Balance Sheet. The form of certificate and report prescribed by the Companies Act, 1900, seems to me eloquent against the inclusion of such an inflated or unreal figure in a Balance Sheet prepared since that date.

I hope (as previously stated) at some future meeting of your Society to deal further with the main point of this paper by considering in some detail how far an auditor's responsibilities have been either modified or increased by the Companies Act of 1900, but I must now conclude this sketchy paper with many apologies for its diffuse character. Most, if not all, of the points to which I have

referred are probably familiar to my hearers, but, this notwithstanding, I do not think it can be denied that it is useful for the students of any recognised profession to take stock of their legal position from time to time, so that when they become later on immersed in practice they may perform their work with a fitting sense of its responsibility as well as of its importance. In any event, I hope that this paper may be of some slight use in reminding the students I have the pleasure of addressing that they are about to join a profession, the duties of which are yearly becoming more and more serious and onerous, and the importance of which is rapidly becoming more and more recognised.

Bankruptcy Reform.*

By ALLEN EDWARDS.

(From *The Jeweller and Metalworker.*)

Introductory.

THE subject of bankruptcy reform is very much to the fore at the present time. A Departmental Committee has been appointed by the President of the Board of Trade "to "report upon various matters connected with Bankruptcy "and Deeds of Arrangement," and this Committee have been engaged upon their work for several months past. The writer has had many communications with one of the leading members of the Committee, and has made many suggestions. What the Committee will advise or report cannot at present be surmised. It is generally believed, however, that new legislation, when it comes, will be in the direction of an increase in officialism. An endeavour in this direction was made unsuccessfully when the Bankruptcy Bill of 1890 was before Parliament. Clauses reducing a petitioning creditor's debt from £50 to £20, extending the period of relation back of the trustee's title from three to six months, modifying the law of fraudulent preference, creating new misdemeanours, extending the limit of summary administration from £300 to £500, &c., were struck out. Had these clauses been passed, they would have practically dealt a death-blow to deeds of arrangement, and, moreover, would have rendered it possible for Official Receivers to act as trustees in cases where the assets exceeded £300 (they now even claim this power under Section 70, Subsection (*g*), Bankruptcy Act, 1883).

Ex parte.

In considering any suggestions for bankruptcy reform, it should be borne in mind from whence they come. Let us assume that we have to deal with suggestions, among other sources, from the following:—(*a*) Bankrupts. (*b*) Those who fear they may become bankrupt. (*c*) Those who have no fear at any time of becoming bankrupt. (*d*) Creditors of existing bankruptcies. (*e*) Those who may be creditors in future bankruptcies. (*f*) Those who never make or expect to make bad debts. (*g*) Traders generally. (*h*) Non-traders. (*i*) Solicitors who act for bankrupts. (*j*) Solicitors who act for creditors. (*k*) Accountants and trustees who act for bankrupts. (*l*) Accountants and trustees who act for creditors. (*m*) Officers of the Board of Trade. (*n*) Politicians. (*o*) The man in the street, &c. &c.

It will be readily understood that these various persons would consider the questions submitted to them from entirely different standpoints, and therefore the writer contends that nearly all suggestions in the nature of bankruptcy reform (even including those in this article) must be taken *cum grano salis.*

For whom Bankruptcy Laws are Intended.

It should not be forgotten that bankruptcy laws are passed for the protection of debtors as well as of creditors. Blackstone says:—

> "At present the laws of bankruptcy are considered as laws calculated for the benefit of trade, and founded on the principles of humanity as well as justice; and to that end they confer some privileges, not only on the creditors, but also on the bankrupt or debtor himself. On the creditors by compelling the bankrupt to give up all his effects to their use, without any fraudulent concealment; on the debtor by exempting him from the rigour of the general law, whereby his person might be confined at the discretion of his creditors, though in reality he has nothing to satisfy the debt; whereas the law of bankrupts, taking into consideration the sudden and unavoidable accidents to which men in trade are liable, has given them the liberty of their persons, and some pecuniary emoluments, upon condition they surrendered up their whole estate to be divided among their creditors."

The Bankruptcy Act of 1813 was intituled "An Act for the Relief of Insolvent Debtors in England," and even to-day we frequently, in legal documents, meet with the expression:—"Or take the benefit of any Act for the relief of Insolvent Debtors." This aspect of the Acts, viz., that they exist for debtors as well as creditors, will be considered later, when the writer deals with the subject of discharges. In considering the question of bankruptcy reform, creditors should remember that they themselves, through force of circumstances, might at some time of their lives have to "take the benefit of the Act."

"We'll Have His Bleed!"

At some meetings of creditors at which the writer has been present, and where the conduct of the debtor has met with severe disapprobation by the creditors, it used to be a common thing for those present to say that the question of dividend was a minor consideration with them, compared

* It should be borne in mind that these articles were written primarily for the jewellery trade.

with the question of punishing the debtor, and the expression "We'll have his bleed!" was frequently heard on such occasions. Those who made use of the expression did not know that they were unwittingly referring back to the old Roman law, that is, to the terrible law of the twelve tables, whereby the creditors might cut the debtor's body in pieces, and each of them take his proportionable share.

In former times, according to English law, a bankrupt, upon his examination, was bound, *upon pain of death*, to make a full discovery of his estate and effects, as well in expectancy and possession, and how he disposed of the same. Bankrupts were, however, entitled to certain allowances and privileges, which time does not now permit to refer to.

Audit by the Board of Trade.

This may be a convenient time to refer to the question of audit by the Board of Trade. The Board have the right of surcharge in cases of bankruptcy. The writer's experience is that the audit work in bankruptcies by the Board of Trade is extremely well done, and leaves little or nothing to be desired. The Board of Trade have, however, no power of surcharge under the Deeds of Arrangement Act of 1887—only to demand particulars of receipts and payments for statistical purposes. The writer is of opinion that the Board of Trade should be given the same rights of audit and of surcharge under the Deeds of Arrangement Act of 1887 as under the Bankruptcy Acts of 1883 and 1890.

The Amount of a Petitioning Creditor's Debt.

Section 6 of the Act of 1883 provides that a creditor under certain circumstances shall be entitled to present a bankruptcy petition against a debtor, if the debt owing by the debtor to the petitioning creditor, or, if two or more creditors join in the petition, the aggregate amount of the debts owing to the several petitioning creditors amounts to £50.

The writer has on many occasions exposed the unfairness and the anomaly of this provision. If the total liabilities of a debtor are only £100, creditors to the amount of £50 can present a bankruptcy petition against him. If the amount of the debtor's liabilities are £1,500,000, creditors to the amount of £50 have the same rights. Let us see what this means. It is well known that the execution of a deed of arrangement is an act of bankruptcy, available for three months. That is to say, a creditor or creditors whose debt or debts amount to £50, and who have not assented to the deed, may use the deed as an act of bankruptcy for making the debtor bankrupt, and this no matter how large the estate, or how great the liabilities, or how large a majority of the other creditors have assented to the arrangement. The writer contends that this confers too much power upon insignificant minorities. He suggests that the amount required to present a petition, where a deed of arrangement has been executed, should bear some relation to the amount of the estate or of the total liabilities.

Trustees Touting for Proxies.

The question of touting for proxies by irresponsible persons has always been a very thorny one, and if we admit the principle that the appointment of a trustee should be in the hands of a majority of the creditors, it is extremely difficult to suggest a remedy. The first schedule of the Act of 1883 provides as follows, viz.—

> "Where it appears to the satisfaction of the Court that any solicitation has been used by or on behalf of a trustee or receiver in obtaining proxies, or in procuring the trusteeship or receivership, except by the direction of a meeting of creditors, the Court shall have power, if it think fit, to order that no remuneration shall be allowed to the person by whom or on whose behalf such solicitation may have been exercised, notwithstanding any resolution of the committee of inspection or of the creditors to the contrary."

Twenty-three years' experience has proved that this provision is for all practical purposes a dead letter. Touting is carried on in the most barefaced manner; but it has to be remembered that where the leading trade creditors are desirous that a certain trustee shall be appointed, they might be unable to attain their end without canvassing in some form or another. The writer suggests that all persons who make it a portion of their business to act as trustees in insolvency matters should be compelled to take out certificates from the Board of Trade, and the holders of these certificates should be compelled to renew them annually in much the same manner that auctioneers have to renew their licences. Where the Board of Trade are satisfied that the conduct of any so certified practitioner is other than it should be, either by reason of undue touting or otherwise, they should be empowered to withhold his certificate. The certificates should apply to practitioners in bankruptcy and in private deeds. Were this course adopted it is probable that most of the low-class practitioners would be driven out of the field. The writer does not suggest, however, that an ordinary *bonâ fide* creditor should not be eligible to act as trustee. This should be permissible, but *all trustees*, whether under deeds of arrangement or in bankruptcy, should be compelled to give security for the faithful performance of their covenants.

Private Arrangements.

It cannot be denied that some reforms are necessary as regards private arrangements. The writer believes that the principle has always been admitted by the English law that creditors should have a considerable amount of liberty in dealing with their debtors, and that it should not be compulsory for every debtor who cannot pay 20s. in the £ to his creditors to necessarily become bankrupt. The Bankruptcy Act of 1883 gave a great impetus to the cause of private arrangements, and they increased to such an extent

that the Act of 1887 was passed, which further legalised them. That creditors should be at liberty to arrange with their debtors by means of deeds of arrangement has been many times acknowledged in their reports by the Board of Trade. The principal difficulty as regards deeds at the present time is that any creditors (one or more) whose debt or debts amount to £50, and who have not "assented," are able for three months to upset an "arrangement" if they should wish. This places a great deal too much power in the hands of small minorities and their professional agents, and this power is frequently used for the purpose of obtaining preference, or, in other words, of levying blackmail, and of putting estates to needless costs and charges. It is probable that new legislation will provide some remedy for this anomalous state of affairs. The Inspector-General in Bankruptcy, in his eighth report, published in 1891, stated as follows, viz.:—

> "What appears to be required is to give any dissenting creditor the power to bring a deed of arrangement which affects his interests before the Court, and to give the Court the power, when satisfied that it has been assented to by a certain majority of the creditors, and that no offences under the bankruptcy law have been committed, and that no judicial investigation is necessary, to make the deed binding upon all the creditors."

Upon this question the writer has contended for many years that if a creditor lodges a petition in bankruptcy against an assigning debtor, the Court hearing the petition should be empowered to dismiss it, if satisfied that the deed has been largely agreed to by the creditors and that it is for their benefit. It should not be forgotten that some of these adverse petitions may be used by competing traders in order to shut up a competing rival trader, and sometimes also from motives of malevolence, as well as for blackmail.

In the fifth report the Board of Trade stated as follows, viz.:—

> "So long as there is no power of compelling any creditor to assent to a private arrangement against his will, it is no part of the policy of the bankruptcy laws to prevent debtors and creditors from arranging their affairs by mutual arrangement, without resorting to the intervention of the Court."

In the eighth report:—

> "There are cases in which no good object can be served by bringing the administration of the debtor's estate under the control of the Bankruptcy Court."

In the ninth report:—

> "While, however, the system of private deeds of arrangement is unquestionably open to great abuse in the hands of unscrupulous persons, it is evident that where they are administered with the full knowledge and concurrence of the creditors by experienced and trustworthy professional agents, they form a convenient and useful method of administration. Subject always to the proviso that they are not allowed to become a medium for covering or condoning those irregular or fraudulent practices which it is the chief object of bankruptcy administration to suppress."

In the tenth report:—

> "Where a debtor's conduct is not open to objection, it cannot be the object of a good bankruptcy system to interfere with a purely voluntary arrangement between himself and his creditors."

Upon the subject of deeds there can be no doubt that it is desirable that some simple machinery should be devised for bringing to book unscrupulous trustees. There can be no controversy, also, that trustees under deeds should be compelled to pay unclaimed dividends to the Board of Trade in the same way that trustees in bankruptcy are now compelled to do.

For the ten years, 1896 to 1905, the number of deeds registered under the Act of 1887 was 34,273. The number of receiving orders and administrations in bankruptcy for the same period was 43,141. The liabilities under deeds were £41,663,541; under bankruptcy, £61,485,678. The estimated assets under deeds were £23,020,483; under bankruptcy, £26,001,417. The estimated loss to creditors under deeds was £27,851,253; under bankruptcy, £52,818,539.

These figures show to what an enormous extent the public avail themselves of the procedure of the Deeds of Arrangement Act of 1887.

Bankruptcies Following upon Deeds.

It occasionally happens that after an estate has been administered under a deed for some weeks it is thrown into bankruptcy and a new trustee has to be appointed. Oftentimes the creditors wish the trustee under the deed to continue as trustee under the bankruptcy. The Board of Trade, however, not infrequently object, under Section 21, subsection 2, of the Act of 1883, on the ground that, as regards the appointment of the trustee, "his connection "with or relation to the bankrupt or his estate or any "particular creditor makes it difficult for him to act with "impartiality in the interests of the creditors generally." While giving the Board of Trade credit for absolute sincerity in what they do by virtue of this subsection, the writer has oftentimes been of opinion that they have sometimes unnecessarily strained their powers, and this against the expressed wishes of the creditors.

It should not be forgotten that it is open to an arranging debtor to file his own petition in bankruptcy at any time after he has executed a deed of arrangement. The effect of this is that sometimes a debtor will threaten the trustee under the arrangement that he will file his petition. This is not a desirable state of affairs, and to some extent, for three months, places the creditors and the trustee at a

disadvantage. Therefore, the writer suggests that no arranging debtor should, within three months of the execution of his deed, be permitted, without special leave of the Court, to file his own petition to the detriment of the executed deed.

Fraudulent Preference.

The law as to what constitutes fraudulent preference cannot be said to be in a satisfactory condition. Thus, as the eighth report points out:—

> "A payment made by an insolvent debtor to his banker, with a deliberate view ot relieving a guarantor from his liability, cannot be impeached, although if it were given with the view of preferring the banker himself it would be void, and bankers are frequently being preferred in this manner with impunity."

Whether the banker or the guarantor is preferred, in either case the creditors suffer. The principle is stated in Morrell's Reports as follows:—

> "That as the payment in question was made not with the intention of preferring the creditor to whom it was made, but with the intention of benefiting another person who was not a creditor, such payment was not within Section 48 of the Bankruptcy Act, 1883, and could not be set aside as a fraudulent preference."

In a certain well-known case the receiving order was made on March 31st 1894, on the petition of the debtors. By the Official Receiver's report, we learn that (only two days before), viz.:—

> "By a deed dated March 29th 1894 one of the debtors conveyed certain properties to his managing clerk upon trust, to sell the same and apply the proceeds to the extent of £4,200 in making good deficiencies upon several trusts of which he (the debtor) was trustee."

The House of Lords decided that this transaction could not be impeached, and that the payment on the eve of bankruptcy of trust money for which the debtor was liable was not a fraudulent preference within the meaning of the Act. But the unfortunate creditors were the sufferers all the same.

It would seem therefore that some new legislation regarding fraudulent preference is necessary. This matter is especially important to the jewellery trade, where the assets are of so portable a character, and so easily passed on from hand to hand, as is the case with articles of jewellery.

Discharges.

Section 8 of the Act of 1883 provides that a bankrupt, at any time after his public examination is concluded, may apply for his discharge to the Court. On the hearing of the application the Court must take into consideration a report of the Official Receiver as to the bankrupt's conduct and affairs (including a report as to the bankrupt's conduct during the proceedings under his bankruptcy), and may either grant or refuse an absolute order of discharge, or suspend the operation of the order for a specified time, or grant an order of discharge subject to any conditions with respect to any earnings or income which may afterwards become due to the bankrupt, or with respect to his after acquired property. Some of the points taken into consideration upon the hearing of an application for discharge are as follows:—

(*a*) Whether the bankrupt's assets are equal to 10s. in the £. (*b*) If his bookkeeping has been good. (*c*) If he has traded after knowing himself to be insolvent. (*d*) If he has contracted any debt without at the time of contracting it having a reasonable ground of being able to pay it. (*e*) If he has failed to account for all his assets. (*f*) If he has brought on his bankruptcy by rash and hazardous speculation, or by unjustifiable extravagance in living, or by gambling, or by culpable neglect of his business affairs. There are various other points which the reader can ascertain for himself by referring to the Act.

The total number of bankruptcies under the Act of 1883, and up to the end of the year 1905, has been 94,283. The number of applications for discharge during the same period was 19,936, of which 18,520 were granted, either unconditionally or subject to conditions of suspension. Those figures are very startling. They show that at the present time there may be upwards of 75,000 undischarged bankrupts. The writer submits that this is not a desirable state of affairs from the point of view of what is in the interests of public policy. Some of these undischarged bankrupts may be trading in the names of their wives. Others may have accepted situations. Others may have lost heart and enthusiasm, and become practically hopeless members of society. Probably a large number have become chargeable to the rates. There can be no doubt that a considerable alteration in the law as regards discharges is desirable. The suggestions of the Birmingham Jewellers' Association as regards bankruptcy reform, forwarded to the President of the Board of Trade, contain the following recommendation, viz.:—

> "The bankrupt should be compelled to apply for his discharge within a certain period from the bankruptcy, and failure to do so should render him liable to imprisonment."

The writer is of opinion that this remedy is of too drastic a nature, because most frequently bankrupts lack the funds necessary for making their applications, and, moreover, imprisonment is surely not to be considered. The writer suggests as follows—viz., that, while giving every bankrupt the right to apply for his discharge at any time on similar lines as at present, it should be compulsory upon the Court at the end of, say, three years from the date of the bankruptcy, to appoint a day for the public consideration of the bankrupt's discharge, and that the bankrupt should be *entitled to claim his discharge*, unless creditors or the Official

Receiver attend and show cause to the contrary, the decision being left to the Judge as at present. The great point is that if no creditors attend, and if the Official Receiver show no good cause to the contrary, the bankrupt should by default be entitled to his unconditional order. This will not prevent prosecution proceedings during the preceding three years, if creditors or trustees should think fit to institute them. The subject requires more consideration than can be given to it in this article. For example, a man who becomes bankrupt on a second occasion should not be entitled to the same consideration as for the first offence. Whatever view may be taken of the subject, it cannot be in the interests of public policy that there should be upwards of 75,000 undischarged bankrupts. Hope should spring eternal in the human breast, and it should not be forgotten that the question of discharge affects, not only the bankrupts themselves, but also their wives, families, and relatives, who may suffer in the social estimation of their friends, and in many other ways, through no fault of their own.

(*To be continued.*)

Factory Accounting as Applied to Machine Shops.—V.

By John Whitmore.

It must be borne in mind that these articles are written without any pretence of any knowledge beyond that of the accountant. If matters that have generally been regarded as outside of the province of the accountant are here treated, it is upon the principle already insisted upon, that if any true organisation is to be accomplished it must be through the departments working up to each other with an intelligent appreciation of the way in which the work of each must merge into the harmonious working of them all to a single end. The work of every department is the affair of every other department, so far as each department can develop an understanding of the work of the others and facilitate it, and help to give it an increased efficiency. It is, for instance, very essential that this should be the attitude of the Engineering Department to the Accounting Department. It is an illustration of the way in which this principle has not been grasped, that engineers, realising how many and intricate considerations must enter into the true determination of costs, and seeing no adequate sign that bookkeepers and Accounting Departments are equipped to deal with the matter, have claimed that "cost finding is an engineering problem." The bookkeeper, on the other hand, knows that the complete expenses of even the shop operation are disclosed only in the financial books, and knows the necessity of balanced bookkeeping wherever omissions are to be guarded against. Again, it is plain that unless by "cost-finding" is meant the estimating of costs, there is a great deal of unmistakable bookkeeping work to be done.

The elements of cost so far dealt with are the simpler ones. That is to say, upon examination the method of dealing with them is plain. At scarcely any point are the figures absolutely final, free from all qualification and all contingencies, but the latter are recognisable, and, generally speaking, arise from uncertainties that are a condition of the work done. This does not mean that the cost figures arrived at are necessarily of limited value from these causes. For instance, so long as the life of a machine cannot be accurately foreseen, the best judgment concerning it is the fact to be dealt with. On the other hand, fictitious cost figures might be created through machine parts being produced in quantities larger than the existing requirements justify, and so obtaining a nominally low cost for those actually used at the expense of having later to write down the value of those which become inactive stock. The means of guarding against such a condition, and the means of safeguarding the accuracy of all one's figures, and so giving them the fullest value, have so far been indicated.

The problem is somewhat changed when one comes to the accounting for small tools, and patterns, and drawings. These it is now proposed to consider.

Advantageous working of the shops and accuracy in the Cost Accounts are alike dependent upon the sound organisation of the Tool Department. The shop necessity of the prompt furnishing of needed tools is the same as the necessity of the prompt furnishing of needed materials. Clearness in the tool records is necessary to the prompt furnishing of small tools to the machines, and to the accuracy of the small tool charge in the respective Cost Accounts, and to the economical administration of the Tool Department itself.

Small tools may from the accounting standpoint be divided into three classes: (1) Those that are made for the purpose of a particular product—that is, not a standard product; or, in other words, that are made for a special job or contract, and whose further use is problematical. The production order for such tools must show distinctly the job for which they are produced and the Cost Account to which they are directly chargeable. (2) Tools whose use is limited to a single machine, or a limited group of machines, and whose repair and depreciation charges can consequently be covered in the machine rates for such machines. (3) Tools whose use is of such a general character that their repair and depreciation charges are not traceable as expenses of certain machines, but may with fidelity to actual conditions be regarded as general expenses of one, or more than one, or all of the shop departments.

For the purpose of small tool records, doubtless the card index is the most useful and convenient device. Such an index, or, more properly, Card Ledger, should be kept for all the tools belonging to the tool room, including all its branches. This Ledger may be divided into three divisions, or into three Ledgers, corresponding to the three divisions of the small tool equipment set out above. The accounts should show the location of the tools and their inventory value, and the Ledgers should be kept in agreement with the controlling Tool Accounts in the General Ledger.

The first class of small tools mentioned, being those whose cost is properly charged into the cost of the job for which they are made, but which, while their cost has been written off, are kept for possible future use, although that may be limited to repairs and renewals or extension of the original job, may have a nominal value placed upon them. If their future use is very uncertain it would be best in setting up such values to make the corresponding credit to a Reserve Account, so as not at all to reverse in the Profit and Loss Account the first treatment of the expenditure as part of the job cost. Any reliable value that there is in such tools may, of course, be credited to the job cost to which the tools were charged.

The Card Ledger Accounts for tools of the second class should be arranged in divisions corresponding to the several departments of the shops, and each account should show the machine tool or machine tools to which the small tools represented belong, and the heading of the account might include a summary of the actual uses of the tools. Such tools being presumably stored in the departments where they are used, duplicates of the several divisions of the Ledger may advantageously be created and kept in the respective departments.

The records of the third class are confined to the Tool Department, the tools represented being kept in the general tool room, from which they are distributed as occasion for their use arises. When these tools are out of the tool room it is customary, and necessary to their control, to have them represented by two checks, the first identifying the tool and the second bearing the number of the workman in whose charge it is. The accounts in this Ledger should be very carefully classified and arranged so as to constitute the clearest possible statement of the small tool equipment represented.

The next record in relation to small tools is a card index of the standard parts machined in each department respectively, stating all the tools required for the processes in each case, and stating their location. This facilitates the prompt delivery to a machinist of all the tools proper to be used upon a given job. There is then in each department of the shops a cross index, to the tools kept in the department and their uses, and to the parts to be machined and the tools proper to the operations.

Additional tools are produced under numbered production orders, for which Cost Accounts are kept in a Plant Production Cost Ledger. Tool repairs and replacements may be done under numbered repair orders if the operation is large enough, and it is well to fix a limit of estimated expense or for small repairs under standing tool repair orders. The series of standing tool repair orders must correspond to the distribution of the tool expense which it is found practicable to make in the Cost Accounts either through machine rates or Department Expense Accounts. Closed Cost Accounts for tool production and tool repairs should, after all entries are made in the general books, be filed away in the Tool Department, and these accounts should be kept in such detail as would enable the management of the Tool Department to readily obtain from them any information that in experience might be found useful and obtainable by this means.

There would then have been created a full and completely classified record of the small tool equipment, with locations, uses, and values; and full and available records of tool production; and completely classified records of the expense of tool repairs and renewals; facilitating the shop operations and making possible accuracy in the accounting; and at the same time surely creating facilities for the management of the Tool Department to the ends of maintaining the necessary equipment without duplication, and watching and controlling the tool repair expense; and possibly for the more technical purposes of standardising tools and regulating the materials used in their manufacture.

The organisation and the accounting in relation to foundry patterns are simpler than the corresponding matters in relation to small tools, but there is none the less the necessity for absolutely clear records and strict methods of procedure. This is, of course, especially true where the shops are large and the product of a varied and varying character, and the active or semi-active patterns consequently large in number, and again where there is added to these conditions that of the castings being made by independent foundries. The expense direct and indirect of any mistake in furnishing patterns to the foundry is inevitably serious, and the methods used should carefully safeguard this matter.

The first necessity is a pattern Ledger, and for this purpose a Loose-leaf Ledger is probably the most convenient device. It is most desirable that the pattern numbers be continually maintained in a certain intelligible order; that is, that a series of consecutive numbers be assigned to each class of product of the shops, and then that the cast iron parts entering into each such class of product be classified, and each series of numbers divided up in accordance with

this sub-classification. If this arrangement of numbers is to be kept undisturbed through a period of years, there must be blank numbers for future use in every sub-division. These are conditions under which the loose-leaf book is especially useful.

Castings Accounts in the Storehouse Ledgers should be in the same order as the corresponding Pattern Accounts in the Pattern Ledgers. This arrangement of numbers greatly facilitates the work in the several departments, and if the original scheme is carefully worked out the numbers may be given so much significance that there is great likelihood of an inaccurate pattern number being recognised as inaccurate and the mistake corrected before it has caused any real trouble.

Each account in the Pattern Ledger should be headed with the pattern number and a general description of the pattern, and with the drawing number; and inasmuch as this is a permanent and always easily accessible record, it is well to add a complete list of the parts making up the pattern. Provision must be made for inserting the cost and for writing depreciation off from it. The balance of the page, or section of a page devoted to a single pattern, is to be used for recording its location and every change in location. This Ledger will therefore tell all about a pattern, including where it is at any given time. If more than one foundry is casting for the shops it will furnish a record of the foundry or foundries which have made the castings.

Another matter of importance is that wherever a standard casting is to be varied, and there is consequently an alteration to be made in the pattern, the altered pattern shall bear a new number and a new account in the Pattern Ledger be opened for it, the old account being closed with a reference to the new number. When the pattern is altered back to the original form the temporary account is closed and the original account reopened.

Patterns that are made for the purposes of a special job or contract must, of course, be charged to the Job Cost Account, as in the case of special tools, and thereafter treated upon the same principle as such tools and by a similar method. The cost of altering a pattern for a special job and the cost of altering it back to its standard form must be charged to the Job Cost Account.

Separate Pattern Accounts should be kept in the General Ledger representing the value of existing standard patterns for each distinct class of machinery or apparatus manufactured, and each of these Pattern Accounts would be kept in agreement with the corresponding section of the Pattern Ledger, both being charged with the original cost and having the same depreciation written off from them from time to time. Separate Pattern Repair Accounts should be kept corresponding to the several Capital Pattern Accounts.

If, then, a column is provided in the Cost Ledger form for rough castings, there can be added to the total of this column such a percentage as will provide for the repairs and depreciation of patterns for the class of product to which the Cost Account relates, plus the proportion of the general expenses of the Pattern Department chargeable to such class of product on the basis of the relation of the castings used in it to the total castings used in the total product. The conditions in relation to castings used in any shop need to be carefully considered in order to determine whether a further classification of patterns and the expenses attaching to their use needs to be made in order to insure the fairness of the pattern expense charge in all Cost Accounts.

If the patterns are sent to outside foundries it is necessary that they should be systematically checked up, with lists of all the parts of which they consist, both when they are shipped out and when they are received back. The ordinary precautions taken to insure the provision of all materials in readiness for the shop operations need to be taken with especial strictness in regard to castings made by outside foundries, as the conditions of their accurate and prompt production are obviously less simple.

The accounting in relation to the work of engineers and draftsman must be based upon the strictest possible record of the actual expenditure of their time. As far as their time is expended for the purposes of specific jobs it is, of course, charged to the Job Cost Accounts. Beyond this it needs to be classified according to the various classes of product, and according to the particular purposes of the work. Some part of it will be a purely commercial expense, being for the purposes of prospective jobs. Some part of it will be for experimental and development work, and will be a general charge against the profits of the business. Some part of it will be for the production of drawings for standard machines of each class of the product. This last it is proper to capitalise in accounts representing the value of the standard drawings for each class of the shop product. From these accounts depreciation must be regularly written off at annual rates sufficiently high to keep the Drawing Accounts from growing, in any case, out of proportion to the growth of the business, and, generally speaking, at rates somewhat higher than this, and these depreciation charges are general expenses of the manufacturing for the respective classes of the product. The general expenses of the Engineering Department are probably most justly included in the group of administration and office expenses, but emphasis may again be laid upon the necessity of strict time records, so that nothing may remain to be dealt with as general expenses that can be properly charged as a part of the cost of a specific job, or of a particular class or department of work.

It is not to be presumed that the operations of any shops

will proceed along strictly routine lines. All operations have their peculiar features and are subject to various exigencies. It may be safely asserted that it is never necessary and that it is always dangerous to conduct any manufacturing operations in such a manner that the essential record cannot be made, for such operations would be simply disorderly. And with patience simple accounting methods can be developed to meet whatever special conditions exist. It is proposed to take as an illustration the necessity, which probably arises at times in all shops, of borrowing either from work in process or from finished stock some materials or some part of a machine which is so urgently needed as to justify extraordinary means of delivering it quickly. Here is something to be done which is not instructed by any shop order. The logical procedure is to issue a shop order which is, and is called, a borrowing order. Like every other series of shop orders, these are consecutively numbered and a Cost Account is opened for each. At the same time that the borrowing order is issued there is issued a production order to replace the part borrowed. This production order instructs that the expenditure under it be charged to the borrowing order. If the borrowing is from an assembled machine the charges to the Cost Account consist of: (1) The labour, and other expense, if any, of detaching the part and getting it ready for its new use. (2) The cost of replacing the part and putting it back. If the borrowing is from unassembled parts, the borrowing order authorises and makes a record of the borrowing, but the charges to the Borrowing Order Cost Account are only those incurred under the order to reproduce. In either case the Cost Account shows the actual cost of furnishing the part by means of borrowing it and replacing it.

And when all storehouse records and records of shop operations have been provided, together with the means of summarising them for entry in the general books, there remains to be considered the important matter of the arrangement of the accounts in the General Ledger. Whether beyond the monthly Trial Balance there is prepared each month a *pro formâ* Profit and Loss Account and Balance Sheet or not, it is still desirable that the Ledger balances, as they follow each other in Ledger and Trial Balance, shall be as plain and easily read a statement of the progress and condition of the business as it is possible to make them. Monthly Profit and Loss Accounts and Balance Sheets are most desirable and are perfectly practicable so far as completed work goes. In the larger machine shops and engineering works there will always be a considerable number of open shop orders under which partly manufactured materials are being produced for the storehouse, and there will be job orders for equipment or installations which extend, from the beginning to the completion of them, over many months, in the latter case profits are in abeyance, and Profit and Loss Account and Balance Sheet are subject to this fact. Again, there is the question of the feasibility of adjusting all open Cost Accounts each month in respect of all the general expenses of manufacturing. Wherever the conditions permit, and in many, and possibly in most, manufacturing businesses they do permit, the practical closing of the accounts at the end of each month there is no doubt of the value of doing it. Where many matters must, except at greater than monthly intervals, remain open, it does not mean that the situation is not to be very carefully gauged each month, but rather that it needs to be done with special care and perhaps special skill.

The arrangement of the accounts in a Ledger should include the grouping of such accounts as are anywhere dealt with or to be considered in their total, and the placing in proximity to each other of figures whose relationship to each other it is necessary to watch. All the accounts representing the cost of factory and yard space should be brought into a group, and there should immediately follow this group the account credited with the distribution of these expenses. If an inside column be provided in the Trial Balance where such groups of expenses can be footed it will immediately be seen whether such expenses are running more or less than the calculation concerning them. Similarly with all the expenses which it is planned to absorb into the Cost Accounts by means of machine rates, and with the account to which the machine rates are credited; and again with all the expenses that make up the cost of power, and with the Power Credit Account. So far there is a complete distribution or absorption of expenses monthly. Coming to the department and factory general expenses, the administration and office expenses, and the trading expenses, if the work of the shops is of a fairly even character and does not include jobs that are in process for lengthy and irregular periods, there will easily be established an approximate relationship between expenses incurred in each group and the same as absorbed in the Cost Accounts, the unabsorbed balance being in respect of work in process, and its reasonableness subject to not difficult proof. In cases where the work of the shops is not of an even character and some of the work is a long time in process, a calculation can be made in regard to the unabsorbed balances of general expenses by making the analyses necessary to determine to what parts of the bases of their distribution such general expenses have been applied and consequently what parts of them await the addition of the general expense percentages in the Cost Accounts. It is, for instance, not a very difficult matter to ascertain the amount of the direct labour pay-roll and the machine rates in a given department, and the credits to general manufacturing expenses in respect of that department's labour and machine rates, and from the percentage in use to calculate the further credit which would come from that department in an adjustment of the Cost Accounts to date. Where the use of thorough accounting methods has prepared the way, the analysis and summing up of the showing of the monthly Trial Balance is an excellent test of the efficiency of the head of the accounting department.

(*The Journal of Accountancy*, N.Y.)

The Liverpool Chartered Accountants Students' Association.

Syllabus—Spring Session, 1907.

President—Mr. W. E. Mounsey, F.C.A.

Hon. Secretary—Mr. W. L. Evans (with Messrs. Chalmers, Wade & Co.).

Feb. 7.—Lecture, "Cost Accounts for Small Manufacturers," Mr. M. Webster-Jenkinson, A.C.A.

,, 14.—Debate (particulars later).

,, 28.—Lecture, "Bank Bookkeeping. Mr. J. Watson (Lloyd's Bank).

Mar. 14.—Lecture, "Municipal Corporation Accounts." Mr. W. A. Caldwell.

,, 20.—Debate with Liverpool Law Students' Association. (Subject to be fixed later.)

At the Library, 3 Lord Street, at 6 p.m.

The Chartered Accountants' Golf Club.

There are fifty-five entries for the annual tournament now in progress, made up as follows:—Forty-seven from London, two each from Nottingham and Sheffield, and one each from Blackburn, Derbyshire, Leeds, and Manchester. The winner will receive a valuable prize, kindly presented by the President of the Institute (W. B. Peat, Esq.), in addition to having his name engraved on the Shield, which hangs in the members' room of the Institute. A Second Prize will be given by the Club.

A novel feature of the conditions governing the tournament is that, when a match is played on the links of a club of which one of the competitors is a member and the other is not, the non-member shall be entitled to receive from the member a stroke, apart from the customary three-fourths of the difference between the handicaps. Among those who have entered are:—Mr. T. G. Mellors, of Nottingham (+1); Mr. J. Gurney Fowler (Captain), of London (scratch); and Mr. V. Manley, of Blackburn (scratch). Nine players have byes, and twenty-three matches are arranged for decision in the first round, which must be completed by February 18, the second by 11th March, the third by 1st April, fourth by 13th April, semi-final by 1st May, and final on the 2nd May.

A Medal Competition will also be held on the 2nd May, particulars of which will appear later.

Personal.

Mr. J. W. Vincent has commenced practice as a Chartered Accountant, at 41 Coleman Street, London, E.C., in conjunction with Messrs. William Orton, Attree, Son & Co.

Mr. Maurice G. Dadley, Chartered Accountant, of Masonic Buildings, Little Park Street, Coventry, has opened a branch office at Bank Chambers, Newdegate Square, Nuneaton.

Mr. Ernest W. Warlow, Chartered Accountant, announces that he has commenced practice as a Chartered Accountant at 7 Moorfields, Liverpool, and 10 Stanley Street, Ormskirk. For the past six years he has been with Messrs. Davies & Crane, Chartered Accountants, Southport.

Meetings for the ensuing Week.

Monday — Institute of Chartered Accountants. — Library and Publication Committee, at 2 p.m.; Investigation Committee, at 3 p.m.

Tuesday — Institute of Chartered Accountants. — Applications Committee, at 3 p.m.

Wednesday—Institute of Chartered Accountants.—Finance Committee, at 12.30 p.m.; Council, at 2 p.m.

Chartered Accountants' Prayer Union.—Address by the Rev. George Hanson, D.D., at 1 Finsbury Circus, E.C.; 6.15 p.m.

Thursday—Sheffield Chartered Accountants Students' Society.—Lecture, "Bills of Sale," by Dr. Tinsley Lindley, at the Library, Hoole's Chambers, Bank Street; 6.45 p.m.

Glasgow Chartered Accountants Students' Society.—Debate.

The Law Society.

Students' Certificates of Distinction.

The Vice-President (Mr. E. Kell Blyth) distributed on the 21st ult. the certificates of distinction awarded to the students at the Society's law classes in respect of the last two terms of the past year. There were present the President (Mr. Henry Attlee), Professor Jenks (Principal of

Studies), and Messrs. C. A. Montague Barlow, LL.D., Dunlop, Langridge, and Caporn, of the teaching staff.

Professor Jenks said these were the certificates of distinction which had been awarded in respect of the last two terms of the year 1906, and they represented a very high standard of attainment on the part of the students. It would be a very easy, and no doubt a very popular, thing that a free and liberal award of these certificates should be made, but it had been felt from the first that their value, which was, of course, of a purely honorary character, must depend very largely upon the difficulty with which they were attained, and accordingly, although no rigid or mathematical standard was laid down, it might be relied on that in every case the securing of a certificate represented a very high standard of attainment indeed, not only in the examination itself, which was not regarded as the most important matter, but in regularity of attendance and in intelligence and efficiency of work generally.

The Vice-President then distributed the certificates as follows:—

Third Term, 1906.—Final Students: Real Property and Conveyancing, Messrs. Lawrence Ashbridge, C. S. Beachcroft, E. A. Davidson, H. W. Morris, C. A. S. Russ, B. A. Schooling, D. C. Tewson, and Cyril Turner; Criminal Law, Mr. C. A. S. Russ. Intermediate Students: Public Rights, Messrs. H. B. Hughes and G. P. Voss; Civil Injuries, Messrs. M. B. Brown, G. R. Cattarns, and A. R. Gale. Special Classes: Bills of Sale, Messrs. A. D. S. Rogers and F. A. Carlton Smith; Law of Copyright, Mr. A. D. S. Rogers.

Fourth Term, 1906.—Final Students: Torts and Personal Property, Messrs. P. J. Bretherton, G. R. Cattarns, Herbert Taylor, and Cyril Turner; Bankruptcy and Company Law, Mr. Samuel Hands. Intermediate Students: Things Real, Messrs. D. T. Garrett and H. B. Hughes; Things Personal and Rights in Private Relations, Messrs. H. B. Hughes and G. P. Voss. Special Classes: Charter-parties, Mr. F. A. Carlton Smith; Voluntary and Fraudulent Settlements, Messrs. A. D. S. Rogers and F. A. Carlton Smith.

The Vice-President expressed his sense of the excellent teaching the students had received. He had been very interested in the lecture of Mr. Jenks to which they had all listened, and was extremely pleased to know, as the Council did know, that the classes were succeeding. The excellent education which was given was a subject for congratulation to all interested in the study of the law. This had not been, as they knew, always the case. There had been no classes and no such teaching when he was in the position of a student some half century ago. It was true the Society at that time had its lectures, and he well remembered listening to a very interesting course which was delivered in the large hall of the Society on conveyancing, common law, and equity. But the teachers of that time were not in touch with the students. There were no classes, and no opportunity for the students to talk to their teachers and so to solve their difficulties, so that the teaching of fifty years ago was very different from the teaching and training the law students obtained to-day. But if one went a little further back than that, it was still worse. He had read with considerable interest an extract from a little pamphlet published in 1818 which had been preserved and quoted by Dr. Blake Odgers in one of his interesting lectures. The pamphlet was entitled "A letter from a "grandfather to his grandson, an articled clerk, pointing "out the right course of his studies and conduct during "his clerkship in order to his successful establishment in "his profession. By Jacob Phillips, of the Inner Temple, "formerly an articled clerk. 1818." The extract was as follows:—"The difficulty that now meets you is how to "obtain satisfactory information in answer to this ques-"tion"—it was a legal question—"and here there is con-"siderable difficulty; your tutor is probably always "engaged in the hurry of practice, your brother clerk may "not be competent to answer you, there is no applicable "junior law-book to assist you, and you must make the best "use you can of the books that are procurable. This is the "general unaided state of a youth entering an attorney's "office. No wonder that so many exclaim, *Fateor, animus "meas amisit me!* It is impossible to conceive a more "lamentable case than a youth, just taken from school, "glowing with admiration of the beauties of Grecian and "Roman literature, set down to an attorney's desk to copy "declarations and pleas, of all things the most contrary "to his former pursuits." He thought they would agree that students were in rather a different position now from those of 1818, and this interesting little letter was a good illustration of the defects of those days. An effort was being made to do better now, and the Council of the Law Society had no greater pleasure than in trying to improve the study and the training in law of the students of the present day. He should like to say one or two words upon the subject of equity which had arisen out of the evening's lecture. A few days ago he had observed a passage in the speech of the Lord Chief Justice, when addressing the law students at York, to the effect that law students ought to make themselves thoroughly acquainted with the history and the principles of law during their studentship, because when they got into practice they were hardly likely to have time to improve their knowledge materially. He did not propose to say one word about the principles of equity, but he had always been interested in studying the history of legal and other subjects, and it had struck him as a most extraordinary and wonderful thing that for five centuries, until the Acts of 1873 and 1875 were passed, there had

been two rival systems and principles of law side by side, administered by different Judges criticising one another in a not too friendly way, and only one of the systems had actually exercised—repeatedly exercised—the principle of granting an injunction restraining the other from going on with its action. It was certainly extraordinary to realise how that had grown up. It began, he thought, about the latter part of the reign of Edward III., when the Court refused to recognise the uses of land. Thereupon the chancellory, coming upon the conscience of the persons who resisted them, had to make an order requiring them to do so. So things went on, the two Courts side by side—one administered by the Judges of the land, the other by the Chancellor—until 1875, when the fusion of law and equity took place, although it was very far from being an absolute fusion, and the Chancery side got the better of the other, and was declared by the English Parliament to be the superior one. It was curious to see how for the first 200 years the work of the Chancellor had been entirely on the conscience of the other side, and that for 200 years, at all events, it was very frequently intrusted to Churchmen. After, however, the end of the fifteenth century, about the time of Queen Elizabeth's reign, it was intrusted to the lawyers, and since then it had always been intrusted to the lawyers. But it showed how the origin of this difficulty arose—that the hard and fast laws of ancient England were not quite satisfactory to the King and his Chancellor, and how they interfered and created a new set of Courts and principles side by side, so far as the existence of two Courts with two different Judges was concerned. This was peculiar to England. The only parallel he knew of to some extent was to be found in the old Roman law, where they had two systems of law something like the law and equity of England, but with this distinction—that they were administered by the same Judges. He was not aware of any country where the two systems of judicature and law ran side by side. There was no such thing in Scotland, where the whole of the country was administered by one Court—the Court of Session—and there was nothing of rival principles clashing with one another, nor was it so in France or Germany, or, so far as he knew, in any other country; but in England it existed, and we had to deal with it. One other thing he should like to say. He wanted to address a few words to those who were studying for the profession, and to appeal to every one of them to remember that it was an honourable profession, and to urge upon them that they should do all in their power to maintain the honour of the profession. They might be aware that there had been some public discussion recently which was not altogether satisfactory to the profession, and that a Committee had been appointed, and was now sitting, to discuss the question of Solicitors' Accounts. To some extent that Committee had been appointed upon what he thought was a grave illusion. The fact that there was occasional default on the part of solicitors in making good their clients' money had been talked about as if it were a public scandal; but the matter had been enormously exaggerated. In the speech of the Lord Chief Justice, from which he had already quoted, the Lord Chief Justice had pointed out that the proportion of solicitors—and it should be borne in mind that there were 18,000 practising solicitors in England—the proportion of solicitors who were defaulters was so small as to be not one-sixth of 1 per cent. in the course of a year—a mere decimal of 1 per cent.—and to talk about the profession as had been done by many writers in the papers was the gravest scandal on the profession, and most disgracefully untrue. He believed that the enormous majority of the profession—how large might be estimated from the figures given by the Lord Chief Justice—were thoroughly honest and thoroughly honourable, and that they were doing good work throughout the country and were of very great benefit to their clients. He would appeal to all his hearers to bear in mind that the first thing, the most important thing, they could keep before them was to be actuated by the highest honour and the highest truth and justice in everything they had to do. So far as their own careers were concerned, many of them might become partners in firms before long, in which position they would have to handle money. He appealed to them not to mix their clients' moneys with their own, and urged them, when they were advising their clients, to advise them always to act honourably, and that for their own credit they should not be parties to anything dishonourable, either when acting on the part of the client or of anyone else. He congratulated the students who had received certificates, and hoped they might have success in their profession, and that they might not regret when they had been, like himself, nearly half a century in practice that they had entered upon it.

The President moved a vote of thanks to the Vice-President, observing that the Council wished they could see more of the students, but that was rather difficult; but the Council wished to be in every way their friends, and to help them forward in life as far as they possibly could. It had given him very great pleasure to see that there were amongst those to whom certificates had been awarded the sons, or, at all events, the relatives, of old friends in the profession, and he was glad to see that they were following in the footsteps of their fathers. The profession was thoroughly enjoyable and delightful if followed in the right spirit. They had all to deplore the death of the late Professor Waithman. In him they had lost a really valuable friend, who had taken the greatest interest in the students, and he thought that some of them would like to attend the memorial service which was to be held in Lincoln's Inn Chapel.

Mr. C. A. Montague Barlow, LL.D., having seconded the motion,

The Vice-President briefly returned thanks, and the proceedings terminated.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Jan. 25th, was 146, viz.:—New Bankruptcy Proceedings published in the *London Gazette*. 79; Deeds of Arrangement registered, 67. The respective numbers in the corresponding week of last year were: Bankruptcies, 94; Deeds of Arrangement, 65—total, 159; being a decrease of 13. The total number of commercial failures recorded during the 4 weeks of the present year is 541; the total number recorded in the corresponding 4 weeks of last year was 623, showing a decrease of 82.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Jan. 25th, was 160. The number in the corresponding week of last year was 159, showing an increase of 1. The total number filed during the 4 weeks of the present year is 522; the total number filed in the corresponding 4 weeks of last year was 542 showing a decrease of 20.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Jan. 25th, amounted to £2,207,580, by way of addition to £1,932,387, previously issued by the same companies. The amount registered in the corresponding week of last year was £654,660, showing an increase of £1,552,920. The total amount registered during the 4 weeks of the present year is £7,767,744 (in addition to the issues in previous years by the same companies), as compared with £5,402,394 for the corresponding 4 weeks in 1906, showing an increase of £2,365,350.

The Profession in Scotland.

Scottish Insolvencies.

During 1906 there were 1,231 insolvencies reported in Scotland, of which 600 were trust deeds, 351 cessios, and 280 sequestrations. Of the total over 40 per cent. fall to be allocated to the four big cities, the details being as follow:—

	Sequestrations	Cessios	Trust Deeds	Total
Glasgow	73	124	133	330
Edinburgh	30	22	41	93
Dundee	4	4	23	31
Aberdeen	8	13	42	63
	115	163	239	517

The proportion of insolvencies to the population of Scotland is approximately 2¾ per 10,000. Taken by counties, Orkney comes out best with ⅓ of 1 per 10,000, Shetland and Berwick following with ⅔ of 1 each. Elgin makes the worst showing with 8 per 10,000, and Bute follows pretty closely with 7.

The following table shows the proportions when split up into trades and professions:—

	Sequestrations	Cessios	Trust Deeds	Total
Grocers and Provision Merchants	18	26	92	136
Licensed Grocers	8	2	30	40
Contractors and Builders.. ..	28	22	33	83
Farmers	22	10	41	73
Drapers	5	12	46	63
Hotel and Innkeepers	17	13	20	50
Tailors and Clothiers	3	10	31	44
Bakers	5	5	26	36
General Merchants	4	4	17	25
Wine and Spirit Merchants ..	11	5	7	23
Cabinet Makers and Upholsterers	8	3	12	23
Coal Merchants	7	9	7	23
Butchers	3	8	10	21
Boot Makers	3	4	13	20
Ironmongers and Hardware Merchants	6	1	12	19
Painters	—	9	10	19
Plumbers	1	4	13	18
Dairymen	3	6	9	18
Solicitors	9	3	4	16
Commission Agents	6	6	2	14
Cycle Agents	5	1	7	13
Blacksmiths	2	2	9	13
Fruiterers	4	2	7	13
Stationers	1	1	9	11
Fish Merchants and Curers ..	1	4	6	11
Watchmakers and Jewellers ..	1	1	8	10
Carriage Hirers	3	5	2	10
Grain Merchants	4	—	5	9
Confectioners	2	4	3	9
Printers and Publishers	8	—	1	9
Manufacturers	5	—	3	8
Chemists and Druggists	1	1	5	7
Engineers	4	2	1	7
Photographers	—	2	4	6
Cattle Dealers	3	2	1	6
Saddlers	—	1	4	5

Aerated Water Manufacturers ..	—	1	4	5
Electrical Engineers	—	1	4	5
Nurserymen	2	3	—	5
Drysalters	—	2	3	5
China Merchants	—	1	4	5
Millers	2	1	2	5
Accountants	3	1	—	4
Posting Masters	3	1	—	4
Glass Merchants	2	—	2	4
House and Property Agents ..	1	1	2	4
Laundrymen	1	1	2	4

A great many other trades and professions—too numerous to mention—are represented to the extent of one, two, or three, while in 154 cases the trade or profession was not stated.

For the week ending 26th January the number of insolvencies reported in Scotland was 26, as compared with 18 in the corresponding week of last year. The trust deeds numbered 12, as compared with 7; the sequestrations 7, as compared with 7; and the cessios 7, as compared with 4. The total for the four weeks of the year is 102, as compared with 89 last year—the trust deeds numbering 49 against 35, the sequestrations 25 against 26, and the cessios 28 against 28. Of the 12 trust deeds reported last week, 5 were granted in favour of Chartered Accountants.

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Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

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Leading Articles.

What is an "Incorporated Accountant"?

THE case of *The Society of Accountants and Auditors v. Goodway and others* (a verbatim report of which appeared in our Law Reports last week) is one of considerable interest, not merely to Incorporated Accountants and those others who sought to so describe themselves, but also to the whole accountancy profession. It indicates that, however unsatisfactory the present legal status of properly qualified

practitioners may be, there are at least some limits to the extent to which unauthorised persons may seek to secure the benefits to be derived from the reputation that accountants of ability and probity have established in the business world during the past quarter of a century.

It will no doubt be remembered that the trial of the action, which came before Mr. Justice WARRINGTON on the 28th ult., and occupied his Lordship up to the 31st ult., was by no means the first encounter between the parties. On the 9th March 1906 there was a motion before Mr. Justice WARRINGTON in the matter of *The Society of Accountants and Auditors (Incorporated* 1885) *v. The London Association of Accountants* to stay the action, on the ground that there was no such body in existence as the plaintiffs, as described, and that the action should be dismissed, with costs against the solicitor who issued the writ. This motion was dismissed, without costs on either side, his Lordship giving the plaintiffs leave to amend their writ by striking out the words "Incorporated 1885," and inserting them in the description of claim. An account of these proceedings appeared in *The Accountant* Law Reports (Vol. XXXIV., p. 33).

The following week—on the 16th March 1906—the matter again came before his Lordship by way of a motion for an injunction against the defendants, and after a lengthy hearing Mr. Justice WARRINGTON decided, without expressing any opinion upon the merits of the case, that for the purposes of an interlocutory application the evidence brought before him was not sufficient, and that he must therefore refuse the motion, with the usual result—the defendants' costs of the motion to be defendants' costs in the action. In commenting upon this decision in our issue of the 24th March of last year we expressed ourselves not very hopefully as to the Society's ultimate chances of success; but on the trial of the action last month the plaintiffs were able to produce a volume of evidence on their behalf that was practically irrefutable, whereas the evidence of the defendant Association (with whom Mr. GOODWAY had been joined as co-defendant) was correspondingly weak.

The plaintiffs' evidence, which was given in full in our Law Reports last week, shows that while the position of an Incorporated Accountant is regarded by business men as being second to that of a Chartered Accountant, yet the term possesses a definite and well-recognised meaning of distinct value to its possessor, and that evidence being practically incontestable, the point that we drew attention to last March, as being what we regarded as the weakest point in the Society's armour, was passed by unnoticed. Contrary to what probably the average layman would have expected, the plaintiffs were not called upon to show that they had any right in the first instance to appropriate to themselves the title "Incorporated Accountant": it was shown that they had appropriated that title long before the defendant Association came into existence, that it was a "fancy title" to which a definite meaning had accrued, and, as such, a title that ought not to be applied by others in an entirely different sense.

The case on behalf of the defendants, as reported, seems weak. They succeeded altogether in producing ten witnesses who were prepared to go so far as to say that while they knew what a Chartered Accountant was, they did not know that an Incorporated Accountant meant more than that the possessor

of the designation was not entitled to describe himself as a Chartered Accountant. The evidence of ten witnesses to this effect could obviously in itself prove nothing: there is probably no single fact so generally known that it would not be easy to produce hundreds —or even thousands—of persons willing and able to testify that they then heard it for the first time. Yet one must confess to a certain amount of surprise that it should have been found possible to discover three solicitors whose ideas upon the subject of accountants were so vague.

Mr. Justice WARRINGTON's decision is especially of interest, as it follows on principle the ruling of the Scottish Inner House in the case of *The Society of Accountants, Edinburgh v. The Corporation of Accountants, Lim.*, and formally establishes that rule as a precedent in this country. It is further of interest as altogether demolishing the assertion which has from time to time been made by some members of the Council of the Institute that it would be hopeless to take legal proceedings in this country against persons who, not being Chartered Accountants, falsely describe themselves as such. Upon the principle that that which is covered by the less is also covered by the greater, it is clear that if an unauthorised person may be restrained from describing himself as an "Incorporated Accountant," *a fortiori* may he be restrained from describing himself as a "Chartered Accountant," and we trust that the next time anyone makes the attempt the effect of this decision will not be overlooked.

In any comments upon this case it is only right to mention that the plaintiff Society's allegation of fraud against the defendants failed altogether, and that accordingly his Lordship ruled that, in so far as the costs had been increased by the allegation of fraud, they must be paid by the plaintiffs, and not by the defendants.

The Audit of the First Balance Sheet of a Limited Company.—II.

WE do not altogether agree with Mr. MITCHELL in his statement that the effect of Section 8 of the Companies Act, 1900, is to permit the issue of a company's shares at a discount. As a mere question of account there may, perhaps, be no very real difference in the final result between issuing shares of £1 each at a discount of five shillings and repaying, in the name of commission, five shillings per share on shares of £1 each to every person who applies for such shares, but apparently the lecturer has misunderstood the precise application of this section. It has already been held that a commission offered to every one who applies for shares is equivalent to the offer of such shares at a discount, and is therefore illegal. That is the difficulty which has been experienced in connection with the issue of the capital of reconstructed companies. As a matter of fact, however, although the financial result to the company may be the same, there is a very broad distinction between the payment of a commission to those who can succeed in inducing others to subscribe for shares—or who, failing such success, may agree to themselves subscribe, so that in the aggregate a certain prescribed minimum of subscriptions may be obtained—and the offer of an equal commission to every one who subscribes for shares of the company. The last-named is obviously an issue of shares at a discount, so thinly veiled as to be practically quite undisguised; the first-named is a commission paid to a limited

number of persons for the purpose of ensuring a certain definite result, and it provides this automatic safeguard—that inasmuch as its amount must be disclosed, if the commission offered be unreasonable, no applicants for shares will be procurable. Thus creditors, who are entitled to assume that the capital has been subscribed in fact as well as upon paper, are reasonably protected by the provisions of Section 8, save that this section, like most other statutory enactments, is capable of being abused by those who deliberately set about to evade it. Thus it is conceivable that the promoter and his friends might themselves underwrite the capital of a company at a large commission with the express intention of fixing the commission so high that the public would decline to respond, thus enabling them to themselves take up the whole of the capital upon terms which would virtually amount to the issue of that capital to them at a discount. It is not very likely, however, that such conditions as this would become general, for the failure of a public issue invariably becomes more or less public knowledge, and would seriously prejudice the chances of the promoters to subsequently unload their holdings upon the market.

Finally, the lecturer deals with one of the most important aspects of his subject—namely, the position of a company acquiring an existing business, together with the benefit of profits accruing due since some date prior to the deed of registration. It has been suggested that in such cases profits earned prior to the date when the company is authorised to commence business are unavailable for distribution, even although they may have been in part or wholly rned since the date of registration. Upon ; point, however, the paper before us is silent. Another somewhat important omission is the proper treatment in cases where during this period of time the business has resulted in a loss instead of a profit, and upon this point no doubt a good deal of discussion might usefully centre. In the space at present at our disposal it is impossible for us to deal with the matter in detail, but it seems to us that under these circumstances what has really occurred is that the company has agreed to take over the business and pay a certain stated price therefor, and, further, to indemnify the vendor against all losses sustained by him since a specified date. The amount of such losses payable by the company may then be assumed to have been taken into account when the so-called purchase-price was fixed; and thus, paradoxical as it may seem, the loss prior to the date when the company is entitled to commence business may apparently be added to the price paid for the goodwill, in so far as such loss may under the contract of sale have to be borne by the company. The detailed working out of an arrangement like this will be found to be full of inconsistencies, but these, of course, are only parts of what may be regarded as the initial mistake of the company in agreeing to purchase a business which could only be carried on at a loss. In many cases, indeed, the fact that there has been a loss is unknown until the accounts are taken after the company has been registered and the purchase has been completed; but had the interests of the public been independently represented by competent experts, there can be little doubt that such contingencies would not arise, or, at least, could not arise accidentally.

In conclusion, the lecturer points out that opinions naturally differ as to the best methods of dealing with any questions that arise in the ordinary course of an auditor's exercise of his

duties. That this statement is unassailable is, we think, confirmed by the various points enumerated above, in which we have found it necessary to differ from or to supplement the views put forward by Mr. MITCHELL in his paper; but although such differences are inevitable, and to some extent perhaps at least even desirable, we need perhaps hardly add that there are many points in the paper now before us that are not matters of controversy, and which yet will be found well worthy of the careful consideration of the attentive student, who will doubtless also derive considerable benefit from a study of the divergent views expressed by Mr. MITCHELL and ourselves upon those points where legitimate differences of opinion or of treatment obtain.

Departmental Accounts.—II.

THE letter from our correspondent "Departmental" which appeared in our issue of the 26th ult., throws some further light upon the problem which we set ourselves to solve in the article under the above heading which appeared in our issue of the previous week. We are afraid, however, that it is not really practicable for us to carry the matter very much further, in that it seems now to have arrived at the stage that nothing very useful can be suggested without a much more intimate knowledge of the exact circumstances of the case than it is possible to derive from any letter, no matter how detailed that letter may be. It is a well accepted rule, capable of almost invariable application, that no one should attempt to specify a system of accounting applicable to any particular business without first having made himself fully acquainted with the exact situation as a result of personal inspection of the places where the business is actually carried on, and of the system of accounts already in actual use. We gather that our correspondent feels a difficulty in devising a practicable system for the apportionment of certain specified indirect expenses so that each department of the business may bear its fair share of the burden of these indirect expenses, no matter what variations there may be in the relative amounts of business done by the several departments, or in the amount of the expenses themselves. The problem is one which, it seems to us, is not really difficult of solution, but it is one which necessarily cannot be really grappled with until after a detailed investigation has been made upon the spot of all the circumstances obtaining.

We repeat that with regard to Packing Expenses, Travelling Expenses, Counting-house Expenses, and Branch Office Expenses, no hard and fast apportionment upon a departmental basis is likely to prove permanently satisfactory, in view of the extreme variations that are likely to take place from time to time. We think that the only satisfactory method of dealing with the matter is to regard each of these four Expense Departments as a separate business selling its services to each of the six Selling Departments, subject to an implied understanding that the Expense Departments are not to make a departmental profit, and that therefore their charges to the Selling Departments should amount to the exact amount of expenditure incurred, and no more. The difficulty in practice is to so deal with these charges that no one Selling Department gets any improper benefit by reason of what happens in any of the other departments, and *per contra* that no department is unduly charged with expenses incurred not for its benefit, b

for the benefit of the other departments. At the same time, it is clear that if the Selling Departments are (so to speak) to obtain the benefit of the services rendered by the Expenses Department at cost price, they must sometimes be content to bear a charge in excess of the actual expense that they might each have incurred had they each independently provided for their Indirect Expenses. This is clearly only reasonable, for if the Expense Departments are not to make a profit upon their operations, equally certain is it that they ought to be entitled to charge sufficient to secure them against loss.

We think that in all probability the fairest apportionment of expenses as among the various Selling Departments could be made if that apportionment were calculated at fairly frequent intervals, when the precise circumstances were still comparatively fresh in the memory; and so far as we can see this would not to any material extent increase the clerical work involved in connection with that apportionment. With a suitable system of accounts there should, we think, be no difficulty in ascertaining the total amount of expenditure incurred by each Expense Department monthly, or, if necessary, weekly; and over these short intervals of time it ought not to be at all a difficult matter to determine how the total should be charged up against the six Selling Departments in a ratio reasonably proportionate to the benefits received by each. It stands to reason that, the shorter the period covered, the more easy it is to avoid anomalies caused by fluctuations in the trade of the several Selling Departments, and also the easier it is to see whether the apportionment actually made ppears to work out fairly in view of all the rcumstances obtaining.

At first sight it may, perhaps, appear to be altogether unnecessary and waste of time to apportion the expenses departmentally at such frequent intervals; but it should be borne in mind that, although for the purposes of annual accounts the apportionment at such short periods is quite unnecessary, for the purpose of departmental returns necessary to assist those responsible for the management by placing them in possession of all the most recent facts arising in connection with the business, short period accounts rendered frequently are absolutely essential for good results; and if these accounts are to fully serve their purpose, they should not stop short at what may be called the "Gross Profit" stage, but should deal with all classes of expenditure in so far as they can be ascertained or estimated at interim periods. Every practical consideration, therefore, seems to point in the direction that we have indicated, of ascertaining at frequent intervals the exact amount of expenditure incurred by each Expense Department and charging it forthwith against the various Selling Departments as nearly as possible proportionately to the value of the services rendered to each. To enable this to be done upon an entirely satisfactory basis, however, we think it probable that the spending department would have to be dealt with under a considerably larger number of headings than the four general headings enumerated by our correspondent.

Weekly Notes.

The Title "Incorporated Accountant."

A funny slip appears in *The Daily Telegraph's* summary of the case *The Society of Accountants and Auditors v. Goodway and Others* which we fully reported in our last issue. According to our contemporary, his Lordship held that the plaintiff Society "had conferred upon its

"members the valuable privilege of a recognised status "for *inability* and integrity."

Outside Associations of Accountants. We have been favoured with a copy of the syllabus of lectures and discussions organised by the Central Association of Accountants for the current session. These comprise a paper by Mr. Gill Hall, on "Our Association and Legislation for the Profession," read on the 31st ult.; "Income Tax and Accountancy," by Mr. T. Hallet Fry, Barrister-at-Law, on the 28th inst.; "The Bank Rate—its Fluctuations and Causes," by Mr. H. Clemson on the 28th prox.; and "The Law of Contracts," by Mr. George Blaiklock, Barrister-at-Law, on the 25th April next. At the same time the news reaches us of the formation of the Irish Association of Corporate Accountants, which, we understand, makes a speciality of not enforcing service under articles, as its Council is satisfied that by imposing a strict examination it can safely test the ability and experience of accountants, and refuse all those who are not worthy of membership. We do not doubt the Council's ability to refuse membership to those who are not worthy of it, but we venture to think that when it has itself obtained a little more experience it will realise that, standing alone, an examination, no matter how carefully conducted, is anything but a satisfactory test of knowledge. Even assuming that its examination requirements are stringent, there is no examination in the world that cannot be crammed for, and there is no form of cramming that in any way helps to give a successful candidate a reasonable knowledge of the subject that he is supposed to be proficient in. Avowedly, however, the object of this latest addition to the numerous societies of accountants is that its members may be considered by the commercial community as qualified accountants, and that any system of registration that may be enforced with reference to the accountancy profession may be bound to include its members.

Accountants Acting as Solicitors. In our issue of the 26th ult. we drew attention to a paragraph that had appeared in the columns of *The Financial News*, commenting upon an advertisement issued by one describing himself as a Fellow and Councilman of the Institute of Accountants and Actuaries, whose business—on his own showing—consisted largely, if not solely, in the collection of debts. We observe that our comment has attracted the attention of Mr. Alexander Sloan, C.A., the Secretary of the Institute of Accountants and Actuaries in Glasgow, who has written to our contemporary asking for the name and address of the advertiser referred to, in order that, in the interests of Glasgow Chartered Accountants, it may be ascertained with what body this gentleman is actually connected. We understand that our contemporary has forwarded the information asked for, and Mr. Sloan's letter to ourselves on the subject appears in another column.

The Latest Misfeasance Case. We are inclined to think that the importance of the recent decision of Mr. Justice Parker in *Re The New Zealand Joint Stock and General Corporation, Lim.*, has been exaggerated. This was a case in which, upon a reconstruction, the liquidator of the old company distributed the assets in his hands without providing for a claim for income-tax, and as a result was held to have been guilty of misfeasance. There is, so far as we can see, nothing in this decision that at all bears upon the subject of income-tax *per se*. It would be equally a breach of duty for the liquidator to divide the estate in his hands without making due provision for the discharge of any other claim of which he had received due notice. The fact that the claimants in this case happened to be the Board of Inland Revenue was a mere accident, and had, it seems to us, nothing to do with the merits of the case. Incidentally, however, the position of the respondent liquidator illustrates very forcibly the danger incurred by liquidators in reconstructions who, relying upon an indemnity from the new company, proceed, as is very frequently the case, in a somewhat irregular manner with a view presumably to expediting matters. Doubtless one reason why technical irregularities so frequently occur in liquidations with a view to reconstruction is that those appointed liquidator have often no experience of the duties attaching to the post. It is very commonly thought that these duties are of a purely formal character, and can be adequately remunerated by a nominal fee. As a matter of fact, if the duties are to be properly discharged, having regard to the interests of all parties concerned, they usually involve no small demands upon the time, skill, and experience of the liquidator if such a position as that obtaining in the case under review is to be avoided.

An Insurance Point. The case of *Forgan v. Pearl Life Assurance Company* has occasioned much comment. A. insured B. with an insurance company, but the policy purported to be signed by B. only, and A.'s name did not appear on the document. The

company appealed from the decision of the County Court Judge at Bridgwater, and it was contended on its behalf that as the plaintiff was the person interested in the policy it was rendered illegal by Section 2 of the Insurances Upon Lives Act, 1774, which requires inserted in the policy the name of the person interested therein, or for whose use or benefit or on whose account such policy was so made or underwritten. The appeal was allowed.

An Interesting Bankruptcy Case. The facts in *Re Webster; ex parte the Official Receiver* were rather involved:

(1) A. issues writ against B. for £131 on 6th June.
(2) B. executes deed of assignment on 7th June.
(3) A. obtains judgment on 9th June.
(4) A. serves garnishee order on C. for £65 os. 10d. due from him to B. on 14th June.
(5) C. pays this sum on the same day, the garnishee order not being made absolute.
(6) A presents petition against B. on 7th July.
(7) Receiving order made on 20th July, and adjudication followed.

The Official Receiver as trustee in the bankruptcy applied to the County Court for an order that C. should pay to him the sum of £65 os. 10d. as a debt due to the bankrupt which vested in him (the Official Receiver) by virtue of the doctrine of relation back (in this instance to the 7th June) and which C. had paid without any compulsion of law. The application was dismissed, and the Official Receiver appealed, counsel on his behalf contending that a garnishee order *nisi* merely called upon the person *to show cause why he should not pay*, and that his only valid defence could be that he had paid by order of the Court. The Court, in allowing the appeal without costs, said it was a hard case.

Receipts on Cheques. Cheques made conditional on the signing of an attached or integral receipt are quite in general use now, and it is reported that some doubt has been expressed in commercial circles as to the operation of the Bills of Exchange (Crossed Cheques) Act, 1906, in relation to this class of documents. *The Solicitors' Journal* points out that they are not cheques within the meaning of the Bills of Exchange Act, 1882, for they are not unconditional orders for the payment of money. It is said, however, that Section 17 of the Revenue Act, 1883, extends the protection conferred by the 1882 Act on bankers who receive payment of crossed cheques for customers to any document issued by a customer of any banker intended to enable any person to obtain payment from the banker of the sum mentioned in the document in like manner as if the document were a cheque. Our contemporary adds that there is nothing in *Gordon v. London City and Midland Bank* which affects the validity of these "cheques."

A New Source of Business for English Banks. Some time ago it was pointed out that the disappearance of the old private banking houses was resulting in the foreign exchange business in London falling largely into the scope of the branches of continental banks having offices in the city. Not much notice was taken of the matter until, about eighteen months ago, one of the most enterprising of our financial houses surprised everybody by catering for foreign exchange banking thoroughly. That the experiment has proved a success is evidenced by the fact that larger premises are being taken and an increased staff secured. When the profitable rates now existing fall, perhaps some of our much-amalgamated bankers may turn their attention to this avenue of trade.

Payments to Annuitants. A correspondent of one of the financial newspapers calls attention to the case of *Shrewsbury v. Shrewsbury*, where the Countess of Shrewsbury sought to compel the Earl of Shrewsbury to pay over her quarterly separation allowance to her bankers instead of by cheque to her order, necessitating her signature as proof of life, and, in view of the decision, it is asked whether it is possible to compel an insurance company to pay an annuity to the recipient's bankers, instead of requiring on each occasion a "survival of existence" form witnessed by a clergyman or magistrate. In reply, it is pointed out that the practice is for insurance companies to pay the money into an annuitant's bank account, subject to a guarantee by the banker that it shall be refunded if the annuitant proves to be dead on the date of payment, and it is suggested that the insurance company in question would probably fall in with such an arangement.

How to Frighten a Banker. During the recent bankruptcy examination of a Glasgow stockbroker, it was stated that the debtor had drawn a cheque for £14,000 on a Scotch bank, although his account was only £4. On presenting the cheque at another Scotch bank the teller gave him in exchange a deposit note for £7,000, and placed the balance to his credit. The bankrupt is

reported to have stated that he did this to give the banks a fright, and to show them how to conduct their business. We should say that he succeeded admirably!

A New Patents Bill. The President of the Board of Trade has announced his intention of introducing a Bill in the coming session of Parliament with a view to revising the existing patent law, so as to compel foreigners taking out patents in this country to work them here. At the present time undoubtedly the English patent is often taken out by foreign inventors for purely blocking purposes. Such a procedure is not tolerated in foreign countries, and it will certainly be a step in the right direction if it be put an end to here as well.

The "Financial Post" of Canada. A new weekly paper has been issued at Toronto which aims at presenting to the public in a popular manner accurate information relating to the financial interests and the legitimate investments of Canada. In view of the increased attention that is being given to Canada as a field for investment at the present time, this paper, which appears to be well got up, should prove successful.

Fluctuations and Profits. At a meeting of the Manchester Statistical Society a short time since Mr. F. G. Burton, F.S.A.A., read a paper on "The Appreciation of Municipal Assets," which, if correctly reported, calls, we think, for more than passing attention. According to a local contemporary, Mr. Burton stated that the last quinquennial valuation of the assets of the city of Manchester resulted in the market properties being appraised at a higher figure, whereupon the Markets Committee had contributed to the relief of the rates £4,296 more than the surplus income of the department for the year. We should be glad if some of our Manchester subscribers would either confirm or correct this statement, and, in the event of its being substantiated, perhaps they will be able to explain where the £4,296 contributed towards the relief of the rates came from. An increase in the optimism of the valuers would not *per se* bring into existence a corresponding amount of money, and we have no hesitation in saying that the Local Government Board would not allow £4,000 to be borrowed merely because the existing assets were supposed to have appreciated in value. Who, then, in point of fact has actually contributed this sum towards the relief of the rates? Until, however, further and more detailed information is available, it is, perhaps, mere waste of time to point out that appreciation in the value of fixed assets, even if its existence be undoubted, can have no possible bearing either on the amount of true profits earned or upon the amount of surplus available for the relief of local rates.

District Auditors' Reports. At a meeting of the London County Council held on the 29th ult. it was pointed out that while the Report on the Council's Tramways and Street Improvements, presented by the Finance Committee, quoted from a report of the Local Government Board auditor to the effect that he had taken care to see that all expenditure was properly apportioned to the different accounts, a search of the auditor's reports had revealed the fact that this was written in 1903, and that last year, after commenting upon the peculiar nature of the charge for street widenings, the auditor stated that he proposed to defer any remarks that he might have to make on the method in which this expenditure was divided between improvements and Tramway Accounts. Without expressing any view upon the morality of quoting an auditor's report expressing approval when there is in existence a more recent report definitely withholding approval, we may point out that the incident suggests the desirability of the widest possible publicity being given to all reports issued by Local Government Board auditors, for if these reports are not readily available to the public, they are for all practical purposes useless.

The Law Guarantee and Trust Society, Lim. The Law Guarantee and Trust Society, Lim., having, we understand, decided to extend the scope of its transactions, has recently acquired the United Legal Indemnity Assurance Society, Lim., with a substantial premium income derived from employers' liability insurance, third-party risks of all kinds, motor-car insurance, personal accident and sickness insurance, plate-glass insurance, burglary, housebreaking, and larceny insurance, and registered post insurance. The Law Guarantee has a fully subscribed capital of two million pounds, of which two hundred thousand pounds is paid up, and there is also a General Reserve Fund of two hundred thousand pounds in addition to other funds earmarked to provide for various contingencies. Its financial position is thus very strong. Special attention will, we are informed, be paid to employers' liability insurance business, and a liberal policy protecting shareholders and others against legal liability under the Workmen's Compensation Act, 1896, is in preparation.

Penalties under the Companies Acts.

We are glad to see that the suggestion we made some years since that Board of Trade prosecutions for omission to supply returns under the Companies Acts should be instituted against the individuals responsible, rather than against the company, is beginning to bear fruit. At the Guildhall on the 31st ult. the director of a limited company which had made no return for 1905 until the 28th January last—that is to say, after the present summons had been issued—was fined £6 10s. and three guineas costs. Such a result has a far more deterrent effect than any fine levied against the company itself, which, of course, would come out of the pockets of the shareholders, who are in no way responsible for the neglect.

Insurance.

In a recent appeal case before Justices Darling and Phillimore, sitting as a Divisional Court, it was decided that under the Statute of George III. the names of persons interested must appear on policies of insurance effected by them on the lives of others. Mr. Justice Darling is reported to have said that it was notorious that many people had such an interest, and if the Legislature had time to improve a little on the Statute of George III. he thought that it would be well employed.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Re The Institute Examinations.

(*To the Editor of The Accountant.*)

SIR,—With respect to the questions set at the recent Institute Examinations I should like to ask, What is the object of the examinations? Is it the puzzling of candidates with a view to their ultimate ploughing, or is it, as it ought to be, the ascertainment of their knowledge in the required subjects? After more than one careful perusal of some of the law questions set in the last Final Examination it would seem to be that the former must be the object in view, unless, as I scarcely think can be the case, the competency of the examiners is to be called in question.

Take, for instance, Question 5 in the Mercantile Law paper, "In what cases does the law imply on a sale of "goods a *warranty* of quality or fitness for any par-"ticular purpose?" Of course, the correct answer is "in no cases," but I very much doubt whether such a correct answer would not have contributed to the ultimate ploughing of the student sufficiently courageous to have given it. It would appear to me that "warranty" is put for "condition," and that what was intended was to test the candidate's knowledge on Section 14 of the Sale of Goods Act, 1893. If such were the intention it cannot be too deeply deplored that it was so unfortunately carried out, for one can well imagine the perplexity of some nervous student, too modest to question the examiner's accuracy, at being confronted by a question so subversive of all that he had ever learnt or been taught.

In the Rights and Duties paper for the same examination, in Question 7 the examiner seems to have had in his mind some hazy notion of the Conveyancing Act, 1881, Section 36, which authorises the giving of receipts by trustees and the protection of the persons paying purchase-money to them. It is needless to point out that if such be the explanation of the question—and on any other hypothesis it appears simply incomprehensible—it entirely fails to raise the point, as the trustees are not the persons to sell, but the company.

Question 8 appears to be directed to the Law of Arbitration and Awards, and should therefore be included in the Mercantile Law paper. This objection is, however, trifling, when compared with the question itself—a farrago of licensing, company, and administration law and conglomeration ultimately submitted to an unfortunate and presumably incompetent arbitrator. Before this arbitrator the candidate is to be summoned as a witness! A witness of what? Of fact? What facts? Of law, then? Whoever heard of a witness of law save in the case of an expert on foreign law. Further, what arbitrator, unless utterly incompetent, would submit to take his law from a witness.

These questions, I submit, may have been the cause of closing a career to more than one competent candi-

date. Surely problems can be furnished by a little diligent research among actually decided cases.

Yours truly,

INTERESTED.

Assessments for Poor Rate.

(To the Editor of The Accountant.)

SIR,—I shall be glad if you, or any of your readers, will kindly inform me on what basis the assessment for poor rates is arrived at, and whether the basis is uniform. For instance, what would be the assessments on two houses rented respectively at £18 and £25 per annum?

Yours faithfully,

January 31*st* 1907. RATEPAYER.

The Leeds and District C.A.S.A. Dinner.

(To the Editor of The Accountant.)

SIR,—I am obliged for the notice you have taken of the remarks I made at the annual dinner of the Leeds and District Chartered Accountants Students' Association, but as some of your strictures arise from your criticising a considerably condensed report of what I did say I should like to offer some observations upon them.

You doubt the expediency of an accountant entering a witness-box with the idea prominently before him that it is his duty to surmise what a cross-examining lawyer is after before answering his questions and you suggest a concentration of attention on the true facts, &c. Everyone, of course, would agree that knowledge of the facts and truthful answers are essentials. But the whole theory of litigation surely is that the two sides differ as to what are the facts, or even when in agreement on them differ as to how they should be presented; *and* the recognised duty of the cross-examiner surely is to try and cajole or bully the hostile witness into accepting his version of the facts, or his view as to how they should be presented. My experience is that if a witness, failing to perceive where he is being led, so frames his answers as to apparently assent to the impression the cross-examiner desires to convey he is called a bad witness, and if he leaves the task of rectification to the re-examiner he is again called a bad witness. In fact, I have been told over and over again by counsel of experience that an answer corrected in re-examination is nothing like so effective with the Court as a similar answer given in cross-examination. But to my mind the great advantage of the surmising, of which you doubt the expediency, is that it not only enables the witness to defend his facts or the presentation of them, from the attacks of the cross-examiner, but puts him in a position to so frame his answer that it actually hits back at the questioner, If he can do this he can often bring about the shortening of his cross-examination and the discomfiture of the questioner. An intelligent anticipation on the part of a witness, therefore, still appears to me a most desirable quality, though, of course, it must be supplementary to, and not take the place of, knowledge and truth.

You object to the use of the phrase "opposition to the efficiency of a Sinking Fund." I did not in my actual speech use the phrase in such a bald way. Three parts of my remarks on the subject are omitted. But I suggest that to it, even as it stands, your objections are a little hypercritical. I did say the question of whether the fund was sufficient was all important. If a Sinking Fund is sufficient it is efficient, because it is an effective provision. If people attack it because it is insufficient they practically say it is inefficient, and thus they oppose its efficiency. With regard to the phrase "so-called redemption of assets," I have again to observe that I never used it. Condensation accounts for its appearance in the report. But, leaving mere bartering with words, I should like, with your permission, briefly to state what my argument on these points was. I endeavoured to show:—

1. That most of the permanent assets of corporations (comprising those which require provisions to be made against depreciation, obsolescence, &c.) are purchased with borrowed money.
2. That the amount borrowed and the cost of the assets are practically equal.
3. That if the redemption of the money borrowed is provided for as follows:—(*a*) by estimating the average life of the assets, and (*b*) by fixing up a fund which in that period shall by annual contributions out of Revenue amount to the sum borrowed, then, by the time the assets are worn out or obsolete, the money borrowed to buy them with can be repaid, and the corporation has on the transaction a clean sheet—both liabilities and assets disappear. But its position is nearly always stronger than this. Besides having on its hands old plant, it will almost always have some land and some buildings.

I agree, of course, that the whole question hangs on whether the Sinking Fund is sufficient to achieve the

above effect. And far from being silent on that aspect of the matter, I dwell upon it with great insistence. People who contend generally that municipal Sinking Funds are insufficient clamour for other funds to be set up—such as Depreciation Funds, provisions for obsolescence, and so on.

But, in my opinion, they take a wrong line. Municipal Accounts should be understandable not only by accountants, but by the aldermen and councillors, and, if possible, by the ratepayers. Every fresh entry increases the difficulty of keeping them simple. One fund, therefore, is better than two or three. Some corporations, however, do set up these extra funds. But the constitution of corporate bodies changes rapidly, and though one set of men may set up these extra funds they cannot be sure their successors will keep up the practice. These can, if they like, use them up as companies can use up their accumulation of revenue. The Sinking Fund, on the other hand, is inviolable. No one, except with the sanction of Parliament, can use it for any purpose except paying off borrowed money. The sure and certain way, therefore, of providing for all depreciation, &c., is by its means. There should, I suggested, be only one fund, but it should be all-sufficient. I then went on to show that it was likely to be sufficient; because, whereas the Depreciation, &c., Funds were voluntary in character and subject to the whim or passing opinion of the borrower, the Sinking Fund is compulsory and fixed by an independent authority. In my judgment, and I have been twenty-one years in municipal life, municipal Sinking Funds are sufficient, but to those who think otherwise I again suggest the remedy is to press the Local Government Board either to justify the figures it is in the habit of sanctioning, or to increase them so as to amply cover every risk. That they do so quite lavishly in some instances, I quoted their practice as to waterworks. A corporation I know has bought hundreds of acres of gathering ground for its water supply. It borrowed the money to pay for them. It has been compelled to create a Sinking Fund to repay that money within eighty years. At the end of that time the hundreds of acres will be there, and will be the free possession of the then ratepayers. Surely, in that instance, there is "sufficiency." I therefore plumped for one fund, which would make for simplicity, and that the one fund should be so ample as to provide for the extinction of the liability by the time the asset was worn out. The municipality could then write down the value of the asset as "nil," which would surely prove "sufficiency," especially if in most cases there would still be some value in the assets left.

I am, yours faithfully,

Leeds, 7th February 1907. JOHN GORDON.

Amateur Auditors and Defalcations.

(*To the Editor of The Accountant.*)

SIR,—In your issue of 19th January you mention the case of the Scottish Football Association, and add, "For "a nominal fee the accounts could doubtless have been "audited by a Glasgow firm of Chartered Accountants, "in which event we may be quite sure that this ques- "tion would not have arisen." It is only right that your attention should be drawn to the newspaper report of the meeting, in which it is stated that "a "letter was read from the *Chartered Accountant* who had "audited the books, in which he stated that his clerk "saw the vouchers for payment to the Bank of "England, and that was all he had to do with the "matter. For a fee of two guineas he did not under- "take to supervise the investments of the Finance "Committee." Surely an auditor's responsibility is not to be measured by the amount of his fee.

Yours, &c.,

February 2nd 1907. X.

Accountants acting as Solicitors.

(*To the Editor of The Accountant.*)

SIR,—Referring to a paragraph which appeared in your issue of 26th ult., allow me to state that the individual whose advertisement appeared in *The Financial News* of 19th ult., and who, according to the editor of that newspaper, stated that he was "a public "accountant, in practice for himself for the last thirteen "years, and in March 1895 elected a Fellow and "Councilman of the Institute of Accountants and "Actuaries," is not and never was a member of the Institute of Accountants and Actuaries in Glasgow, incorporated by Royal Charter, and that we know nothing whatever about him.

I may further state that we are not aware of any other Institute in the United Kingdom having a title similar to our own.

I am, &c.,

ALEXANDER SLOAN,

Glasgow, 5th February 1907. *Secretary.*

A Counting Machine.

(*To the Editor of The Accountant.*)

SIR,—In conversation with a friend the other day, I understood that he had some knowledge of a machine for separating silver money for the purpose of acceleration in counting the same.

As I have not heard of such a machine, I should be interested to know if you, or any of your readers, could furnish me with any information respecting one, giving under what conditions it would be used.

Yours faithfully,

DUX.

The Institute of Chartered Accountants in England and Wales.

AT a meeting of the Council, held on Wednesday, the 6th February 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present:—Mr. W. B. Peat (President) in the chair, and Messrs. J. W. Barber, T. Bowden, E. M. Carter, Ernest Cooper, E. Edmonds, Sir Walter Fisher, Messrs. W. H. Fox, John Gane, A. H. Gibson, J. Gordon, T. Gregory, B. W. Hardcastle, D. Hill, F. A, Jenkins, H. Woodburn Kirby, J. G. Litton, J. Mather, A. O. Miles, W. Plender, F. J. Saffery, T. G. Shuttleworth, G. Sneath, W. A. Stone, J. M. Wade, T. A. Welton, T. Wise, and J. W. Woodthorpe.

The resignations of:—

Mr. P. F. Atkin, A.C.A., Nottingham,
,, John Baker, A.C.A., London,
,, L. B. Warmington, A.C.A., London,

were accepted.

The Secretary reported the death of Mr. W. Sandeman, F.C.A., Oswaldtwistle.

It was resolved that Certificates of Practice be issued to the following members:—

Aston, Richard Henry (Morton, Aston & Rogers), 31 Water Street, Hyde.

Bartlett, Robert Walter, 10 Queen Street, Cardiff.

Bedells, Edward Percy, Cecil Chambers, 86 Strand, W.C.

Clark, William Stuckey (J. Edward Myers & Clark), Trafalgar Buildings, Northumberland Avenue, W.C.

Clay, George Reginald, Nuneaton.

Clinch, Sidney Herbert (Hardy Hislop & Co.), 49 Finsbury Pavement, E.C.

Cobb, Ernest (Welch & Parkinson), Commerce Court, 11 Lord Street, Liverpool.

Danby, Silas (Hill & Danby), 12 Low Pavement, Nottingham.

Deyes, Frederick Thomas Parke, 5 Cook Street, Liverpool.

Dudley, Bernard, Wellington Chambers, 95 Pilgrim Street, Newcastle-upon-Tyne.

Farey, Frank Herbert, 3 Love Lane, Eastcheap, E.C.

Gilroy, Percy Boyle (P. Boyle Gilroy & Co.), 20 Abchurch Lane, Cannon Street, E.C.

Hallett, Basil Frederick, College Hill Chambers, College Hill, E.C.

Hamp, John (John Hamp & Co.), 9 & 10 Pancras Lane, Queen Street, E.C.

Harrison, John Ernest (John Gordon & Co.), 19 Bond Street and 7 Bond Place, Leeds.

Henshaw, Albert Haughton (Welch & Parkinson), Commerce Court, 11 Lord Street, Liverpool.

Judson, Charles (John J. B. Arter & Co.), Norwich Union Chambers, Edmund Street, Birmingham.

Moore, Harold John de Courcy, 28 Queen Street, Cheapside, E.C.; Broadway, Walham Green, S.W.; and at Bank Chambers, Woking.

Nixon, Isaac (John G. Nixon & Co.), 18 Dean Street, Newcastle-upon-Tyne.

Norman, Edmund Francis (J. & A. W. Sully & Co.), 19 & 21 Queen Victoria Street, E.C.

Norton, Gilbert Paul (Armitage & Norton), Station Street Buildings, Huddersfield.

Peat, William Henry, B.A. (W. B. Peat & Co.), 11 Ironmonger Lane, E.C.

Piper, Arthur (John J. B. Arter & Co.), Norwich Union Chambers, Edmund Street, Birmingham.

Rees, Percy Montague (Rees & Wilkinson), 11 Poultry, E.C.

Rigby, Arthur Guy Paget, 5 Chapel Street, Preston.

Rixon, Arthur Chicheley, 20 Abchurch Lane, Cannon Street, E.C.

Rogers, Marmaduke Cameron (Morton, Aston & Rogers), 31 Water Street, Hyde.

Saunders, Bertram Lloyd, 13 Exeter Road, Brondesbury, N.W.

Scott, Alfred Oswald, 110 Dale Street, Liverpool.

Smirk, Walter, 18 Chaddock Street, Preston.

Southwell, James Pullen (Southwell, Turner & Co.), Petersburg House, 58 Leadenhall Street, E.C.

Streets, John Schofield, The Royal Insurance Buildings, Lincoln.

Swayne, Henry Ashton Hornby (J. J. Burnett & Sons), 2½ Portland Street, Southampton.

Turner, Edgar John (Southwell, Turner & Co.), Petersburg House, 58 Leadenhall Street, E.C.

Vincent, Joseph Walter, 41 Coleman Street, E.C.

Walker, Edward Hobson (E. W. Walker & Son), 25 Cross Street, Manchester.

Warlow, Ernest William, 7 Moorfields, Liverpool; and 10 Stanley Street, Ormskirk.

Wickenden, Percy (Creasey, Son & Wickenden), 8 and 9 Martin's Lane, Cannon Street, E.C.; and 30 Mount Pleasant, Tunbridge Wells.

Wilkinson, Edward Sheldon (Rees & Wilkinson), 11 Poultry, E.C.

Winkley, Horace John (Hubbart & Durose), Russell Chambers, King Street, Nottingham.

A number of applicants were admitted members, and 10 Associates were elected to Fellowship.

A list of those who complete their membership or Fellowship by the 21st inst. will appear in our issue of the 23rd inst.

Recent Additions to the Library.

Purchased.

Bankruptcy Acts 1883 to 1890. By Judge Chalmers and E. Hough. Sixth Edition. London: 1906.

Compt buik of David Wedderburn, 1587-1630. Edinburgh: 1898.

Accounts of the Lord High Treasurer of Scotland, 1473-1498. Edinburgh: 1877.

Revised Reports, vols. 86 and 87.

Poor's Manual of American Railroads, 1906.

Parliamentary Debates, vols. 13 and 14 of 1906.

Report from the Select Committee on Income Tax. London: 1906.

Institute of Chartered Accountants of Ontario: Examination Questions, 1903, 1904, 1905, 1906.

The Annual Digest. By John Mews. 1906.

Stock Exchange Yearbook, 1907.

New English Dictionary. Edited by J. A. H. Murray. Mesne-Misbirth (part of vol. 6).

Presented by Messrs. Stevens & Haynes, the Publishers.

Summary of the Law of Companies. By T. Eustace Smith. Ninth Edition. London: 1907.

The Chartered Accountant Students Society of London.

Syllabus for Spring Session, 1907.

President—Mr. Edwin Waterhouse, M.A., F.C.A.

Secretary and Librarian—Mr. Sydney G. Cole, F.C.A., 1A Frederick's Place, Old Jewry, E.C.

*Feb. 6.—Discussion on November 1906 Examination Questions. Openers: Final, Mr. L. J. Yeoman. Intermediate, Mr. H. B. Ward.

,, 13.—Lecture, "The Receiver and Manager (in Chancery)," Part II., by Mr. W. H. Fox, F.C.A.

,, 20.—Lecture, "A Summary of the Principal Legal Decisions affecting Auditors," by Mr. Hugh G. Cocke, A.C.A.

,, 27.—Lecture, "Capital and Income as regards Executorship Accounts," by Mr. T. E. Haydon, M.A., Barrister-at-Law.

*[Received too late to announce Discussion held February 6th.—Ed.]

Mar. 6.—Lecture, "The Incidence of Taxation," by Mr. G. Armitage Smith, D.Lit., M.A.

,, 13.—Prize Essay, "The Audit of Small Trading Concerns in Cases where there is practically no Internal Check."

,, 20.—Lecture, "Depreciation, with Special Reference to the Accounts of Local Authorities," by Mr. Lawrence R. Dicksee, M.Com., F.C.A.

,, 27.—Twenty-fourth Annual General Meeting.

The lectures, debates, &c., are held on Wednesdays, and commence at 6 o'clock, unless otherwise stated. All meetings and classes are held at the Institute of Chartered Accountants (entrance in Great Swan Alley).

COACHING CLASSES FOR THE PREPARATION OF CANDIDATES FOR THE INSTITUTE EXAMINATIONS.

The Classes meet at the Institute.

Tutors.

Final—Auditing—L. Cuthbert Cropper, F.C.A.

Bookkeeping and Accounts—Lawrence R. Dicksee, M.Com., F.C.A.

Law—Herbert Jacobs, B.A., Barrister-at-Law.

Intermediate—Bookkeeping, Accounts, and Auditing—Percy Child, A.C.A.

Law—Herbert Jacobs, B.A., Barrister-at-Law.

The classes begin in February, July, and December respectively. No classes are held during August. Full particulars will be sent to each member who has not passed the examinations.

Prizes.

Final.—First Prize, Ten Guineas (in books, or the Committee will pay the successful candidate's entrance fee to the Institute). Second Prize, Three Guineas.

Intermediate.—First Prize, Five Guineas. Second Prize, Three Guineas.

The above prizes will only be awarded in books, and provided that—

(*a*) Members are amongst the first five successful candidates at their examinations.

(*b*) In the Final Examination successful candidates have been members of, and paid subscriptions to, the Society for three consecutive years.

(*c*) In the Intermediate Examination successful candidates have been members of, and paid subscriptions to, the Society for two consecutive years.

Further particulars can be obtained on application to the Secretary.

Elementary Free Classes.

Bookkeeping, Accounts, and Auditing, conducted by Percy Child, A.C.A.

This class meets on ten Monday evenings, at 6 o'clock, commencing on the 4th February 1907, and is specially intended for the junior members of the Society.

Law, conducted by Herbert Jacobs, B.A., Barrister-at-Law.

This class meets on ten Friday evenings at 6 o'clock, commencing on the 8th February 1907.

The following subject will be dealt with :—

"LAW OF PARTNERSHIP."

Examinations.

Examinations will be held at the end of each of the above courses of lectures, and prizes awarded.

No member shall be admitted to the examinations if at the date of the last meeting of the Law or Accounts Class (whichever shall first happen) he has served under articles for a longer period than two years; or in the case of University graduates, one year.

Special Essay Competition open to all Members of the Society.

Mr. Ernest Cooper, F.C.A., has kindly offered a First Prize of Seven Guineas, and a Second Prize of Three Guineas for essays on :—

"VOUCHING IN AN AUDIT."

Essayists should bear in mind *inter alia* :—

1. The Form to be looked for in Vouchers.
2. The Authorisation of Payment.
3. When the Inspection of some Vouchers may be dispensed with and the system to be adopted when only a partial Inspection takes place.
4. When suspicions are aroused, what further steps should be taken to verify or test the Vouchers ?

Rules.

(1) Essays must be written or typed on one side of the paper only.

(2) The name of the writer must not appear upon his essay, but a *nom de plume* must be used. The essay must be accompanied by a sealed envelope, addressed to the Secretary, marked on the outside with the writer's *nom de plume*, and the words, "Special Essay Competition"; the envelope must contain the writer's name and address. The envelopes of the successful essayists will alone be opened, the others will be destroyed.

(3) Essays must not exceed 6,000 words, and must be sent to the Secretary not later than April 30th 1907.

(4) The essays submitted for competition will become the property of the Society, and will in no case be returned.

(5) In the event of there being less than three essays submitted, the Committee reserve the right to withhold both prizes.

(6) The second prize will be awarded only in the event of the arbitrator reporting that the essay placed second is of sufficient merit to deserve the prize.

(7) In the event of a prize being awarded, the successful essayist will be invited to read his essay during the Autumn Session.

Chartered Accountants' Chess Club.

THE formation of a Chess Club in connection with the profession of Chartered Accountants has been suggested.

It is thought that many members of the profession now belonging to various local clubs would welcome the birth of such a club, and they (and, of course, students) are invited to communicate their views on the subject to Mr. H. J. Snowden (Cleveland, Channon & Snowden), St. Michael's House, Basinghall Street, E.C., and if sufficient support is forthcoming, a meeting would be held to further discuss the proposal.

Reviews.

Company Law in South Africa.

By L. O. P. PYEMONT, B.A., LL.B.

London, 1906: Jordan & Sons, Lim., 116 & 120 Chance y Lane, W.C. Price 20s. net.

In view of the large number of companies registered in South Africa that appeal for subscriptions in this country, or whose shares are substantially held in this country, a reliable handbook dealing with the law relating to the constitution of these undertakings will be found extremely valuable, and such a handbook has now at last been provided. It is divided into four parts, dealing respectively with formation and constitution of a company; the management and conduct of the business of the company; the winding-up of companies; and points of variance between the Cape Act, the English Act, and the company law of the South African Colonies: while in the form of an Appendix will be found the full text of the Companies Acts of Cape Colony, Rhodesia, Transvaal Colony, Orange River Colony, and Natal, to which is added a reprint of the revised Table A of the English Acts. Mr. Pyemont appears to have dealt very thoroughly with his subject, treating it in a non-technical way, and thus in a manner that is readily comprehensible to the average business man. Part IV., comparing the company law of the different South African Colonies with the English company law, contains—as might indeed be expected—much that is of interest, while the very elaborate index, extending over 63 pages, materially adds to the practical usefulness of an interesting volume.

The Stock Exchange Handbook.

London, 1907: Spottiswoode & Co., Lim., 54 Gracechurch Street, E.C. Price 1s.

This is the eighteenth annual edition of the Stock Exchange Handbook, which gives the highest and lowest prices for

number of years past of practically all the leading Stock Exchange securities, together with much useful information as to dividends, &c. There is a full index, thus enabling reference in all cases to be made speedily, and in general the volume, although of pocket size, contains an enormous amount of information of the greatest value to investors, trustees, and others.

The Secretary's Manual on the Law and Practice of Joint Stock Companies.

By JAMES FITRPATRICK, F.C.A., and T. E. HAYDON, M.A., Barrister-at-Law.

1907: Jordan & Sons, Lim., 116 & 120 Chancery Lane, W.C. 11th Edition. Price 5s. net.

The general scope of this handbook is now so well-known that it is unnecessary for us to again attempt an exhaustive review, suffice it to say that this edition contains the revised Table A, and numerous notes explanatory thereof. All the leading decisions delivered since the last edition was issued have also been carefully considered and incorporated so far as is necessary, thus constituting this volume as one of especial value to company secretaries and others interested in company management who do not desire to go more deeply into the various questions of law involved than the average intelligent layman finds desirable.

Accounting for Music Sellers.

By ELIOT BELL.

Reading, 1907: Petty & Sons, Lim., Valpy Street. Price 1s. 6d.

The volume now before us, which extends to 32 pages only, including forms, cannot be said to describe a system of accounting for music sellers in sufficient detail to be likely to prove of any very great practical value to these traders, whose knowledge of accounts is, probably in the majority of cases, of a very rudimentary character. We observe, however, that the author, in addition to recognising the absolute necessity of a Double-entry System of Bookkeeping, advises that the books shall be audited annually by an accountant, and if this advice be followed, of course, no difficulty would be experienced in getting the accountant to give all necessary explanations to enable the system to be inaugurated. So far as we can see from the somewhat fragmentary description given, this system, which is largely based upon the Loose-leaf System, is one that, in careful hands, would meet the requirements of the case, without involving any unreasonable amount of clerical labour. The method described for dealing with hire-purchase transactions is indefensible theoretically, in that it takes no account whatever of the effect of compound interest, but it has *per contra* the advantage of comparative simplicity, combined with working out upon the safe side, and upon the whole it is quite an open question whether these advantages are not to be preferred to mere academic correctness. The somewhat numerous forms given at the end of the book would, we think, be more valuable had they all been reproduced upon a scale more nearly approximating to the actual full size.

The Metric and English Weights and Measures.

By P. E. RADLEY.

London, 1907: 30 Theobald's Road, W.C. Price 1d.

The object of this set of tables is apparently to show the equivalents between English and metric systems of weights and measures, and incidentally it shows that neither system can be accurately and concisely expressed in terms of the other. For instance, the English yard, as expressed in metres, runs to sixteen places of decimals, and doubtless is even then only approximately accurate; while the gramme, expressed in tri-ounces, runs into eighteen places of decimals. These are the difficulties which, it seems to us, stand in the way of a change from one standard to the other. It would be manifestly inconvenient to alter the size, weight, and dimensions of everything in general use, and it would be equally inconvenient to express those sizes, weights, or dimensions in figures which, even if approximately accurate, would have to run into a great number of decimal places.

The Organiser.

London, 1907: 2 Bream's Buildings, Fleet Street, E.C. Price 6d.

On the 1st inst. was issued the first number of a new British monthly which is described as a magazine for employer and employed, which contains *inter alia* an article referring to an exhibition of office appliances, business systems, and advertising, to be held at Olympia in the early part of July. It is perhaps hardly fair to attempt to gauge the value of a publication of this description by its first number, but we cannot help thinking that there will be a better chance of a permanent success in this direction—which in itself is a very highly desirable one—when editors learn to appreciate the desirability of drawing a clear distinction between literary and advertising matter. From time to time useful devices that do not carry an advertisement order with them might, it seems to us, be described and discussed with advantage to the reader, if without any direct and immediate profit to the proprietor.

A Summary of the Law of Companies.

By T. Eustace Smith,
Of Lincoln's Inn, Barrister-at-Law.

London, 1907: Stevens & Haynes. Ninth edition. Price 9s.

This book, as originally conceived, was intended for students, and, as is well known, has now for several years been the work on the subject recommended in the Syllabus of the Institute, accordingly the following criticisms on the present ninth edition must be understood as being made by us solely from that point of view.

In the first place it is always, in our opinion, a questionable policy in the case of books which, so to speak, have attained an assured position to submit them to the process of "recasting," and "re-writing." Old friends lose their way in them, and are apt to resent the removal and transposal of well-known landmarks, without—unless the original arrangement has been admittedly faulty—any corresponding gain to new readers.

Possibly on the passing of the Companies Act of 1900, with its radical alterations in the law, an opportunity presented itself for putting the book anew into the crucible and recasting it, but as that opportunity was not seized, and the matter of the new Act incorporated—and on the whole, we contend, successfully incorporated—with the older text, we are somewhat at a loss to see why such a drastic measure has been deemed necessary now.

Setting aside, however, the question of policy, which, after all, is a matter rather for the author and publishers, we gravely question whether the book has gained by the process. The great desideratum of a student's book is method and arrangement, and the present edition, we confess, seems to us to be somewhat more lacking than its predecessors in that respect, in other words it is less "vertebrate." For instance, we miss in it those useful fundamental divisions into "The Formation of a Company," "The Rights and Liabilities of Members," and "The Management of a Company," which were a distinguishing feature of former editions. Hitherto such matters as "Promoters," "The Prospectus," "The Memorandum and Articles of Association" were to be found conveniently grouped together in one chapter entitled "The Formation of a Company," and we entirely fail to see what useful purpose is served by dealing with them in two chapters and omitting the main heading under which they were so conveniently included.

Again, we cannot imagine why the important subject of the "Increase and Reduction of Capital" is relegated to a subordinate position under the heading "Memorandum of Association," whereby it is not only itself rendered difficult of discovery but the continuity of treatment of the subject of the memorandum most inartistically severed.

On the other hand, we are glad to note a great improvement in Chapter VII., entitled "The General Principles of Winding-up," into which have been collected those matters which used to appear under the somewhat meaningless head of "Matters Arising in Winding-up"; so, too, we cannot doubt that Chapter XI., which deals with "Reconstruction and other Arrangements in Winding-up," will be found a most useful addition.

So much for the "recasting" of the book; as regards those parts which have been re-written, they seem to have been well and carefully done, notably we think those dealing with "Certificates" and "Floating Charges." We could, however, wish that the subject of "Proof for Interest" in winding-up had been more fully dealt with. As it is, the student's curiosity is merely whetted by being told what is to happen in the case of non-interest bearing debts, whilst he is left to speculate as to those which bear interest. Again, in dealing with the distribution of surplus assets some reference to the manner in which advances on calls should be dealt with would be useful.

In conclusion, we would again point out, as we did when reviewing a former edition, that the statement of the law for which *In re Panther Lead Co.* is vouched as an authority is somewhat too wide as a general proposition, and only applies in cases where the landlord is willing to regard the lease as determined.

United Law Society.

At the weekly meeting on the 28th ult. in the Inner Temple, a motion was proposed by Mr. T. H. Fry to the effect that the Society "approves the principle "of differentiation between earned and unearned incomes "as recommended in the Report of the Select Com-"mittee of the House of Commons on Income-Tax." The chair was taken by Mr. J. V. Weigall. In his remarks the mover asserted the possibility of superimposing differentiation upon the existing "taxation at source," which he declared must be retained at all cost. There was, he said, no incompatibility between differentiation and taxation at the source, although graduation would make a sorry bedfellow with the present system. He showed how the present system of collecting income-tax lent itself to differentiation; how, in fact, of the five schedules under which income-tax is collected Schedules A and C are purely unearned income, and Schedules B and E are purely earned income. The only schedule which required division into earned and unearned income was Schedule D, and this division could in large measure be effected by charging limited liability companies upon the higher basis, and by charging professional men, traders, and unregister companies upon the lower basis. He referred to the alle

grievances of sleeping partners, and showed that there was considerable difference between their position and that of shareholders, whose liability was strictly limited, whereas the former ran all the risks of the business. The position of the one-man or few men companies was also considered, Mr. Fry asserting that the vendor-trader must pay the toll for limitation of his liability and for the greater facility in dealing with its assets by paying income-tax at a greater rate. He stated that it was impossible to treat every individual's case upon its own particular merits, and a broad distinguishing line must be drawn. He also dealt with the taxation of interest, which would be at the higher figure, incidentally alluding to the supposed anomalous cases of working landlords, which, he declared, presented no insuperable difficulties. The opposite side was championed by Mr. Williams, a guest, who argued that the division of Schedule D suggested by the mover was fallacious. The scheme of the report, in his opinion, was essentially a Somerset House scheme, ignoring to a great extent the position of the taxpayers. Personally, he declared himself unconvinced of the economy and efficiency of the system of taxation at the source, which was irksome to most taxpayers. He affirmed that a wise system of graduation would be preferable to differentiation. The resolution was eventually carried by five votes to four.

(*Law Times.*)

Personal.

MESSRS. WM. HY. CAMM, F.C.A., and FRAS. HARRY METCALFE, F.C.A., announce that the partnership heretofore subsisting between them and Mr. C. CORBIDGE, carried on at 17 Bank Street Sheffield, and at 19A Coleman Street, London, E.C., terminated on the 2nd day of February instant. They have arranged a partnership in conjunction with Mr. WILLIAM UNWIN CAMM (A.C.A. by examination), with a view to commencing business as Chartered Accountants at Market Place Buildings, Sheffield, until offices which they have engaged at Town Hall Chambers, Fargate, are ready for occupation.

MR. JAMES MORRISON, Jun., who was previously for 16 years with the London Guarantee and Accident Company, Lim., has rejoined that company and takes up the duties of local manager at their Manchester branch on the 1st February.

MR. J. EDWARD MYERS, of the firm of J. EDWARD MYERS & CLARK, Chartered Accountants, Trafalgar Buildings, Northumberland Avenue, London, W.C., has been appointed a Public Auditor under the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893, for the Watford district.

ALDERMAN W. J. PARRY, F.C.A., Coetmor Yard, Bethseda, has been placed by the Treasury on the list of Public Auditors under the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893.

MESSRS. W. B. PEAT & CO., of 11 Ironmonger Lane, London, E.C., have opened a branch office in Cairo at Sharieh-El-Cherifein, Kasr-El-Nil, under the management of Mr. H. VICTOR HALL, A.C.A.

MR. FREDERICK R. PETTY, Incorporated Accountant, has commenced practice at 4 & 5 Burlington Chambers, North Street, Keighley.

MR. WILLIAM ALBERT SCHULTZ, F.C.A., of the firm of SCHULTZ, COMINS & CO., Chartered Accountants, of 50 Cannon Street, London, E.C., has been appointed a Justice of the Peace for the County of London.

American Association of Public Accountants.

Annual Convention, 1906,

Held at Columbus, Ohio, October 23rd, 24th and 25th.

Report of the Committee upon Standard Schedules for Uniform Reports on Municipal Industries and Public-Service Companies.

To the President and Executive Committee of the American Association of Public Accountants.—At the last meeting of the Association, which was held in February 1906, at New York, a resolution was passed as follows:—"Resolved, that "a Committee of seven Fellows of the American Association "be appointed by the President to consider the practical "application of true accounting principles in connection "with standard schedules for uniform reports on municipal "industries and public-service corporations; that such "Committee be authorised to accept or amend such "schedules and forms as in its judgment are advisable, and "to endorse such schedules solely as Committee; and that "it shall report its findings and endorsements to the next "meeting of the Association."

On February 24 1906 the Secretary of the Association notified the following seven Fellows that they had been appointed by the President to constitute this Committee:—Leonard H. Conant, A. Lowes Dickinson, Duncan MacInnes, S. Roger Mitchell, R. H. Montgomery, E. W. Sells, and Harvey S. Chase, Chairman.

On March 2 the Chairman enclosed to each member of this Committee a copy of a schedule entitled "Schedules "for Standard and Uniform Reports for Municipal

"Industries and Public-Service Corporations. Conference "on Uniform Municipal Accounts called by the United "States Census Bureau, Washington, D.C., February 13 "and 14 1906," which set forth a tentative form for a standard revenue and expense statement, together with a copy of an address delivered at the Conference in relation to this schedule. There was also included an amended schedule which had been reported by a special Committee of five appointed by the Chairman of the Conference, and which had been adopted by the Conference. Copies of the original schedule and the amended schedule are attached to this report. (Tables A and B.)

A meeting of the Committee of Seven was held at the Hotel Manhattan on April 6 1906, attended by the Chairman and Mr. Montgomery, by Mr. Chapman representing Mr. MacInnes, Dr. Cleveland representing Mr. Sells, and Mr. Nasmyth representing Mr. Dickinson, Mr. Conant being away from town and Mr. Mitchell being detained by another engagement. Discussion of the schedule was continued from eight o'clock till eleven. Various points were tentatively decided by the meeting and incorporated in the schedule. The Chairman submitted correspondence with members of the Committee and with others interested, including letters from the Gas Commissioners of Massachusetts, the United States Census Bureau, the Consolidated Gas Company of Boston, Stone & Webster, street railway operators, &c. The meeting adjourned subject to the call of the chair.

On April 17 a letter was sent to each member of the Committee by the Chairman, stating that a communication had been received from the President of the Association authorising the Chairman to arrange for "alternates" in addition to the members of the Committee, and requesting each member to appoint an alternate, thus making the Committee fourteen in all.

On April 27 1906 there was published in the *Municipal Journal*, of London, the address of Mr. Chase before the Washington Census Conference, with the schedules in full.

On April 27 1906 the Chairman delivered an address before the National Municipal League at its annual meeting, held at Atlantic City, which described the uniform schedule in its later amended form. Appended to this address were printed tables covering the revenue and expense transactions of ten gas and electric companies in Massachusetts, and also of ten municipally operated plants in the same State. These figures were set forth upon a schedule arranged especially for these comparisons, which differed slightly from the form previously accepted tentatively by the Committee. These tables are attached hereto as C, D, and E. These printed forms were sent to a considerable number of individuals, corporations, municipal officers, and others known to be interested in this subject.

On May 1, pursuant to notice by the Chairman, a meeting was held in New York, at which the printed forms presented at the National Municipal League meeting were distributed, and each member and alternate was requested to apply the "standard" form to some public industry or public-service company, by attempting to set up on the form the financial transactions of some year or other period, and to communicate the results to the Chairman as soon as possible.

In June *Moody's Magazine*, of New York, published a paper by the Chairman upon "Standard and Uniform Reports "from Public Utilities, both municipally operated and "privately operated."

In June the *Journal of Accountancy* published a somewhat more extended paper on the same subject, containing the tables of ten Massachusetts cities and ten companies previously referred to.

In August a paper was read before the Ohio Electric Light Association, by Mr. T. E. Crawford, upon a "Comparative Statement of Revenues and Expenses," in which our Committee's form was set forth and highly commended, and all Ohio companies were advised to use it.

On September 20 a report by Harvey Chase & Co. upon the annual audit of the Boston Consolidated Gas Company was published in the Boston papers by the company under requirements of law in the "Sliding Scale" Act. The report included a revenue and expense statement of the company for the fiscal year ending June 30, arranged upon the Committee's standard form, thus presenting in a practical way the advantage of such statements and providing an object-lesson available for similar companies and municipally operated industries throughout the country. This statement is appended hereto as Table F. The subsidiary supporting schedules for each of the items in F are given in Table G, omitting figures.

On September 27 the Chairman consulted various members of the Committee in New York, and it was the prevailing opinion that the Committee's report to the Association at the present time should not be final, nor should it present a schedule, or schedules, as the completed work of the Committee, but that it should report progress and advise that final action upon schedules be delayed until after the report of the National Civic Federation's Committee upon "Municipal Ownership" is published. Meanwhile our Committee, if continued, should in every way co-operate with the Civic Federation Committee, to the end that the schedules ultimately adopted by our Association may be in harmony with the results of the experience of the members of the latter Committee, which is now completing its extremely arduous labours and prolonged investigations of publicly operated and privately operated plant both in this country and abroad.

In conformity with these views your Committee now respectfully submits this report of progress, together with the schedules under consideration in their historical sequence.

COMMITTEE UPON STANDARD SCHEDULES FOR UNIFORM REPORTS, &c.,

BY HARVEY S. CHASE,
Chairman.

27 State Street, Boston, Mass.
October 20 1906.

Members of the Committee.

Harvey S. Chase, Leonard H. Conant, A. Lowes Dickinson, Duncan MacInnes, S. Roger Mitchell, R. H. Montgomery, E. W. Sells.

Alternates.

Archibald Bowman, Richard M. Chapman, Francis How, Charles S. Ludlam, John B. Niven, H. W. Wilmot.

Schedules for Standard and Uniform Reports for Municipal Industries and Public-Service Corporations.

Conference on Uniform Municipal Accounting called by the United States Census Bureau, Washington, D.C., February 13th and 14th 1906.

TABLE A.—ORIGINAL SCHEDULE.
REVENUE AND EXPENSE.
(Income and Expenditure.

(*a*) *Income.*

Sales of Product (Water, Electricity, Gas, &c.) $
Less Rebates, Refunds, Discounts, &c. .. .. $
Net Income from Sale of Product .. .. $

(*b*) *Expense.*

(1) Expense of Manufacture (or "Supply" for Water) .. .. .. $
Operation (Running Expense) .. $
Maintenance (Repairs) .. .. $

(2) Expense of Distribution .. .. $
Operation (Running Expense) .. $
Maintenance (Repairs) .. .. $

(3) General Expense .. .. .. $
(Not including taxes, insurance, damages, guaranty, depreciation, dividends, interest, or sinking funds.)

Total "Expense" .. .. $

Income, less Expense .. .. .. $

(*c*) *Charges on Account of Revenue.*

Taxes and Franchise Payments .. .. $
Insurance, Fire, Liability.. .. .. $
Damages and Extraordinary Legal Expenses .. .. $
Guaranty (against Shrinkage of Current Assets) .. .. $
Depreciation (against Shrinkage of Capital Assets) .. .. $

Total "Charges against Revenue" .. .. $

Income, Less Expenses and Revenue Charges .. .. $

(*d*) *Charges on Account of Capital.*

Dividends .. .. $
Interest (net) .. .. $
Sinking Funds .. .. $
Amortisation of Franchises .. .. $

Total "Charges on Account of Capital" .. $

Surplus Income from Sales of Product .. .. $
(*e*) *Income from Other Sources.* .. $

Total Surplus Income .. .. $

TABLE B.—AS AMENDED AT CENSUS CONFERENCE.
REVENUE AND EXPENSE.
(Income and Expenditure.)

(*a*) *Revenue.*

Sales of Product (Water, Electricity, Gas, &c.) .. $
Less Rebates, Refunds, Discounts, &c... .. $

Net Proceeds from Sale of Product .. $

(*b*) *Expense.*

(1) Expense of Manufacture (or "Supply" for Water) .. .. $
Operation (Running Expense) .. $
Maintenance (Repairs and Supplies) .. .. $

(2) Expense of Distribution.. .. .. $
Operation (Running Expense) .. $
Maintenance (Repairs and Supplies) .. .. $

(3) General Expense .. .. .. $
(Not including taxes, insurance, damages, guaranty, depreciation, dividends, interest or sinking funds.)

Total "Expense" .. .. $

Proceeds, less Expense .. .. .. $

(c) Charges Against Revenue.

Taxes.. .. .. $
Franchise Payments .. .. .. $
Insurance: (Fire, Accident and Fiduciary) $
Damages (Extraordinary Losses, Legal and other Expenses) .. .. .. $
Guaranty (against Shrinkage of Current Assets) .. .. $
Depreciation (against Shrinkage of Capital Assets).. .. .. .. $

Total "Charges against Revenue" .. $

Net Revenue (Proceeds, less Expenses and Revenue Charges) .. .. $

(d) Application of Net Revenue.

Dividends .. .. $
Interest (net) .. .. $
Sinking Funds .. .. $
Amortisation of Franchises .. .. $

Total Application of Net Revenue.. .. $

Surplus, or Deficit, from Sales of Product $
(e) Revenue from Other Sources. .. $

Surplus (or Deficit) Current Year .. .. $
Surplus (or Deficit) from Prior Years .. $

Total Surplus (or Deficit) at Close of Current Year .. .. $

TABLE C.—AS AMENDED BY COMMITTEE OF SEVEN.
SUGGESTED FORM FOR STANDARD SCHEDULE.

REVENUE FROM OPERATING.

Gross Earnings from Public Services .. .. $
Gross Earnings from Private Consumers.. .. $
Gross Earnings from By-Products, &c. .. .. $

Total .. .. $
Deduct Rebates, Refunds, Discounts, &c. .. $

Total Revenue from Operating .. .. $

EXPENSE OF OPERATING.

(1) Expense of Manufacture
Operation .. .. $
Maintenance .. .. .. $
Product Purchased .. .. $
(2) Expense of Distribution
Operation .. .. $
Maintenance .. .. .. $
(3) General Expense (Salaries, Office Supplies and Expenses) .. $

Total (1, 2, and 3) .. .. $
(4) Taxes (Real Estate and Other) .. $
(5) Franchise Taxes (paid or accrued annually or otherwise) .. .. $
(6) Rentals (Leaseholds, &c.) .. .. $
(7) Insurance (Fire, Accident and Fiduciary) .. .. $
(8) Damages (including Extraordinary Legal and Other Expenses and Losses) .. .. $
(9) Guaranty (Bad Debts Written Off and Reserve for Doubtful Accounts) $
(10) Depreciation (Deterioration Written Off and Reserve for Estimated Depreciation) .. .. .. $

Total Expense of Operating.. .. .. $

(a) Net Revenue from Operating (or Deficiency) $
(b) Other Revenue, or Income, net (from Sources Other than Operating) .. .. .. $
(c) Appropriations for Operating, Provided by the Municipality from General Funds .. $

Total Available Income .. .. .. $

DISPOSITION OF AVAILABLE INCOME.

(11) Interest on Funded and Floating Debts .. $

Remainder of Available Income .. .. $
(12) Reserved for Sinking Funds .. $
(13) Reserved for Amortisation Funds.. $
(14) Reserved for Other Funds .. .. $

Total Reserves .. .. .. $
(15) Dividends (Private Plants) .. .. $
(16) Appropriation to General City Funds (Public Plants) .. .. .. $

Total Disposition of Available Income .. $

Credit (or Debit) Balance Transferable to "Surplus" .. .. $

TABLE D.—REPORTS FROM TEN MASSACHUSETTS MUNICIPAL ELECTRIC AND GAS-ELECTRIC PLANTS ARRANGED PRESENT FORMS OF STATEMENT.

MUNICIPALITIES	HOLYOKE (Gas and Electric)		WESTFIELD (Gas and Electric)		WAKEFIELD (Gas and Electric)		MIDDLEBORO (Gas and Electric)	
Population	45,700		12,300		9,200		6,900	
EXPENSE OF OPERATING.								
1 Expense of Manufacture—								
Operation	105,914.74		23,397.63		18,103.25		7,684.52	
Maintenance	14,427.86		1,858.01		1,314.50		458.59	
		120,342.60		25,255.64		19,417.75		8,143.11
2 Expense of Distribution—								
Operation	10,471.77		1,146.34		4,486.82		1,578.75	
Maintenance	9,006.41		953.33		1,413.71		994.53	
		19,478.18		2,099.67		5,900.53		2,573.28
3 General Expense		13,493.35		2,643.87		4,794.92		1,740.56
		153,314.13		29,999.18		30,113.20		12,456.95
4 Taxes								
5 Franchises								
6 Leaseholds, Rentals, &c.								
7 Insurance		1,190.32		528.49		513.12		211.43
8 Damages								
9 Guaranty		676.55		147.73		56.69		216.41
10 Depreciation		47,042.29		7,445.88		6,793.13		3,746.06
Total Expense of Operating		202,223.29		38,121 28		37,476.14		16,630.85
REVENUE FROM OPERATING.								
Earnings from Public Services	54,264.72				1,469.18		743 09	
" " Private Consumers	183,417.89		38,197.62		26,256.36		11,581.27	
" " By-Products, &c.	10,306.05		4,364.46		5,581.33		395 30	
Total	247,988.66		42,562.08		33,306.87		12,719.66	
Deduct Rebates, Refunds, Discounts, &c.†								
Actual Earnings from Operating		247,988.56		42,562.08		33,306.87		12,719.66
(a) Net Revenue from Operating		45,765.37		4,440.80		*4,169.27		*3,911.19
(b) Other Revenue or Income from sources other than Operating		1,133.82						
(c) Appropriations for Operating provided by the Municipality from General Funds		247,818.75		11,500.00		40,594.73		3,411.34
Total Available Income		294,717.94		15,940.80		36,425.46		*499.85
ADDITIONAL REQUIREMENTS WHICH SHOULD BE PROVIDED FROM AVAILABLE INCOME. (DISPOSITION OF AVAILABLE INCOME)								
11 Interest on Funded and Floating Debts		28,413 67		3,488.33		6,457.00		2,981.34
Remainder of Available Income		266,304.27		12,452.47		29,968.46		*3,481.19
12 Reserved for Sinking Funds	‡44,600.00		‡4,000.00		‡6,300.00		‡2,000.00	
13 " " Amortisation Funds								
14 " " Other Funds								
Total Reserves	44,600.00		4,000.00		6,300.00		2,000.00	
15 Dividends								
16 Appropriation to General City Funds (Public Plants)	290,856.71		2,433 11		37,268.39			
Total Disposition of Available Net Income		335,456.71		6,433.11		43,568.39		2,000.00
Credit (or Debit) Balance transferable to "Surplus"		*69,152.44		6,019.36		*13,599.93		*5,481.19

* Debit Balance. † Discounts deducted previously. ‡ Serial Bonds paid.

UPON STANDARD SCHEDULES. FOR THE PURPOSE OF SHOWING THE DISCREPANCIES AND GAPS IN THE

Covering year ending June 30th 1905.

Taunton (Electric) 31,000		Chicopee (Electric) 19,000		Danvers (Electric) 8,500		Braintree (Electric) 6,000		Concord (Electric) 5,600		Hull (Electric) 1,700	
26,645.81		15,134.05		8,897.20		10,232.93		9,023.27		7,330.05	
1,636.37	28,282.18	1,335.92	16,469.97	731.47	9,628.67	1,179.39	11,412.32	598.12	9,621.39	3,396.05	10,726.10
6,171.17		5,416.31		1,355.22		1,056.02		842.90		1,310.63	
5,035.97	11,207.14	1,365.50	6,781.81	1,440.93	2,796.15	1,181.06	2,237.08	858.48	1,701.38	3,933.39	5,244.02
	2,278.06		1,306.60		1,827.77		817.33		2,116.85		2,579.64
	41,767.38		24,558.38		14,252.59		14,466.73		13,439.62		18,549.76
..		..		..		..		..			25.00
	552.25	..			720.55		407.49		237.49		1,173.23
			83.95		9.60						200.90
	13,819.16		5,804.59		2,013.32		4,094.93		4,735.07		5,193.37
	56,138.79		30,446.92		16,996.06		18,969.15		18,412.18		25,142.26
1,845.04		16,899.94		347.82		270.29		523.88			
40,594.79		14,401.19		12,854.06		13,750.69		11,911.59		17,319.72	
		1,185.24		4.50		532.50		1,995.03		1,580.90	
42,439.83		32,486.37		13,206.38		14,553.48		14,430.50		18,900.62	
	42,439.83		32,486.37		13,206.38		14,553.48		14,430.50		18,900.62
	*13,698.96		2,039.45		*3,789.68		*4,415.67		*3,981.68		*6,241.64
	1,463.29	..			246.37		27.02		185.05		1,130.27
	17,422.50		35,149.41		8,060.00		9,282.50		8,875.62		7,600.00
	5,186.83		37,188.86		4,516.69		4,893.85		5,078.99		2,488.63
	11,922.50		3,555.41		1,536.07		1,820.83		3,653.33		4,652.29
	*6,735.67		33,633.45		2,980.62		3,073.02		1,425.66		*2,163.66
1,200.00		‡4,000.00		1,000.00		430.00		1,920.00		3,770.00	
1,200.00		4,000.00		1,000.00		430.00		1,920.00		3,770.00	
		34,722.59				6,146.50					
	1,200.00		38,722.59		1,000.00		6,576.50		1,920.00		3,770.00
	*7,935.67		*5,089.14		1,980.62		*3,503.48		*494.34		*5,933.66

TABLE E.—REPORTS FROM TEN ELECTRIC AND GAS-ELECTRIC COMPANIES IN MASSACHUSETTS ARRANGED PRESENT FORMS OF STATEMENT.

COMPANIES	Lynn (Gas and Electric)		Newton (Gas and Electric)		Haverhill (Accounts of Gas Co. & Electric Co. combined)		Clinton (Gas and Electric)	
Population	79,300		50,200		39,500		13,700	
EXPENSE OF OPERATING.								
1 Expense of Manufacture—								
Operation	185,212.43		82,926.50		108,169.68		18,558.82	
Maintenance	30,117.87		13,729.02		8,822.63		3,124.84	
Gas Purchased	..		36,331.50					
		215,330.30		132,987.02		116,992.31		21,683.66
2 Expense of Distribution—								
Operation	33,845.57		20,983.54		14,411.32		2,730.61	
Maintenance	73,826.31		52,341.00		12,812.52		2,349.44	
		107,679.88		73,324.54		27,223,84		5,080.05
3 General Expense		25,317.47		17,207.77		27,825.49		6,927.75
		348,327.65		223,519.33		172,041.64		33,691.46
4 Taxes		22,691.83		11,581.82		10,933.15		1,344.24
5 Franchises								
6 Leaseholds, Rentals, &c.								
7 Insurance		5,933.74		3,797.78		707.16		1,120.57
8 Damages		740.95		250.00		37.65		
9 Guaranty		1,785.50		..		1,346.03		488.79
10 Depreciation	..		..			11,010.28		2,040.82
Total Expense of Operating		379,479.67		239,148.93		196,075.91		38,685.88
REVENUE FROM OPERATING.								
Earnings from Public Services	70,634.28		61,771.78		23,617.34		14,305.17	
" " Private Consumers	516,456.49		221,057.50		235,611.26		32,888.08	
" " By-product, &c.	49,048.18		27,609.00		2,675.54		2,381.09	
Total	636,138.95		310,438.28		261,904.14		49,574.34	
Deduct Rebates, Refunds, Discounts, &c.†								
Actual Earnings from Operating		636,138.95		310,438.28		261.904.14		49.574.34
(a) Net Revenue from Operating (or Deficiency)		256,659.28		71,289.35		65,828.23		10,888.46
(b) Other Revenue or Income from sources other than Operating		109,991.03		5,315.77		2,807.83		..
(c) Appropriation for Operating provided by the Municipality from General Funds								
Total Available Income		366,650.31		76,605.12		68,636,06		10,888.46
ADDITIONAL REQUIREMENTS WHICH SHOULD BE PROVIDED FROM AVAILABLE INCOME. (DISPOSITION OF AVAILABLE INCOME.)								
11 Interest on Funded and Floating Debts		4,298.76		13,260,22		6,233.56		5,447.50
Remainder of Available Income		362,351.55		63,344.90		62,402.50		5,440.96
12 Reserved for Sinking Funds								
13 " " Amortisation Funds								
14 " " Other Funds								
Total Reserves								
15 Dividends	57,500.00		24,000.00		16,432.20		5,065.00	
16 Appropriation to General City Funds (Public Plants)								
Total disposition of Available Income		57,500.00		24,000.00		16,432.20		5,065 00
Credit (or Debit) Balance transferable to "Surplus"		304,851.55		39,344.90		45.970.30		375.96

* Debit Balance. † Discounts Deducted previously.

UPON STANDARD SCHEDULES. FOR THE PURPOSE OF SHOWING THE DISCREPANCIES AND GAPS IN THE Covering year ending 30th June 1905.

Northampton (Electric) 18,600		Leominster (Electric) 13,700		Gardner (Electric) 10,800		Orange (Electric) 5,500		Cohasset (Electric) 5,200		Lee (Electric) 4,600	
15,109.67		16,208.26		10,756.05		1,687.25		5,173.88		5,513.96	
1,217.01		785.97		2,472.22		932.43		242.53		395.58	
	16,326.68		16,994.23		13,228.47		2,619.68		5,416.41		5,909.54
5,908.54		2,133.26		1,711.63		1,561.64		1,266.73		279.91	
331.55		4,713.13		1,717.93		424.72		1,122.81		60.63	
	6,240.09		6,846.39		3,429.56		1,986.36		2,389.54		340.54
	2,911.66		2,077.76		1,177.59		1,883.62		1,074.06		967.48
	25,478.43		25,918.38		17,835.62		6,489.66		8,880.01		7,217.56
	2,077.40		1,256.99		981.61		502.82		184.47		373.49
	626.99		852,00		777.22		330.16		464.41		181.13
			3,140.61		96.91						
					4,137.78		0,000.00		1,500.00		526 48
	28,182.82		31,167.98		23,829.14		13,322.64		11,208.89		8,298.66
11,040.18		9,869.54		4,313.75		4,033.83		5,700.00		2,579.50	
41,398.49		32,031.07		18,046.60		8,745.28		8,232.57		9,303.77	
524.03				53.08		113.15					
52,962.70		41,900.61		22,413.43		12,892.26		13,932.57		11,883.27	
	52,962.70		41,900.61		22,413.43		12,892.26		13,932.57		11,883.27
	24,779.88		10,732.63		*1,415.71		*430.38		2,903.68		3,584.61
	434.20				200.35		212.04				13.25
	25,214.08		10,732,63		*1,215.36		*218.34		2,903.68		3,597.86
	90.67		3,957.70		835.81		2,519.00		970.96		1,506.55
	25,123.41		6,774.93		*2,051.17		*2,737.34		1,932.72		2,091.31
9.392.00				3,000.00		1,800.00				1,500.00	
	9,392.00				3,000.00		1,800.00				1,500.00
	15,731.41		6,774.93		*5,051.17		*4,537.34		1,932.72		591.31

TABLE F.—REVENUE AND EXPENSE.

Boston Consolidated Gas Company, for the Year ending June 30th 1906.

Revenue.

Income from Sales of Gas		$3,378,702.07
Income from Sales of Electricity		225,135.00
Income from By-Products and Other Operating Sources		160,233.59
Total Revenue from Operating		$3,764,070.66

Expense.

(1) Manufacture of Gas, viz.:—		
Expense of Operating Works	$821,547.12	
Expense of Maintaining Works	56,518.86	
Cost of Gas Purchased and Used	521,158.09	
(2) Distribution of Gas, viz.:—		
Expense of Operating ..	161,991.48	
Expense of Maintaining ..	169,516.07	
(3) General Expense and Management of Gas	344,008.48	
(1) Manufacture of Electricity, viz.:—		
Expense of Operating Works	41,627.87	
Expense of Maintaining Works	3,509.76	
(2) Distribution of Electricity, viz.:—		
Expense of Operating ..	16,132.35	
Expense of Maintaining ..	14,131.35	
(3) General Expense and Management of Electricity ..	12,003.87	
Total, 1, 2, and 3 ..		$2,162,145.30
(4) Taxes	272,000.00	
(5) Franchise Taxes		
(6) Rentals, Leaseholds, &c. ..		
(7) Insurance	5,960.00	
(8) Damages and Legal Expenses	46,878.83	
(9) Guaranty (Bad Debts Written Off and Reserve for Doubtful Accounts) ..		
(10) Depreciation (Deterioration Written Off and Reserve for Estimated Depreciation)		
(11) Miscellaneous Incidental Expense..	5,380.34	
Total Expense, as charged in the books ..		$2,492,364.47
Revenue (Net) from Operating		$1,271,706.19
Revenue (Net) from Sources other than Operating		17,257.22
Total Revenue available for Interest, Reserves, Depreciation, and Dividends		$1,288,963 41

Disposition of Available Revenue.

Interest on Notes and Meter Deposits	$10,908.53	
Reserve for "Employees' Fund"	50,000.00	
Dividends	1,209,968.00	
Total Interest, Reserves, and Dividends		1,270,876.53
Credit Balance Transferable to Surplus ..		$18,086.88

TABLE G.—REVENUE AND EXPENSE.

Standard Schedules.

Details of the accounts summarised in Table F.

GAS.

Revenue from Operating.

(a) Gas Sold Consumers by Regular Meters ..	$
(b) Gas Sold Consumers by Prepayment Meters	$
(c) Gas Sold for Operation of Gas Engines ..	$
(d) Gas Sold other Companies	$
(e) Gas Sold Public Lamps	$
(f) Gas Sold for Use in Company's Works and Offices	$
(g) Prompt Payment Discounts Forfeited (if Gas is sold "Net")..	$
Total	$
(h) Discounts for Prompt Payments (if Gas is sold "Gross")	$
(i) Rebates to Private Consumers ..	$
(j) Rebates to Operators of Gas Engines	$
(k) Rebates to City	$
Total	$
Net Sales Gas	$

By-Products.

(l) Coke Produced	$
(m) Coal Gas Tar Produced	$
(n) Water Gas Tar Produced	$
(o) Ammoniacal Liquor Produced ..	$
Total	$
(p) Coke Sales, Profit	$
(q) Coal Gas Tar Sales, Profit	$
(r) Water Gas Tar Sales, Profit ..	$
(s) Ammoniacal Liquor Sales, Profit ..	$
Total By-Products	$

Rents.

(*t*) Rent of Mains .. .. $
(*u*) Rent of Meters .. .. .. $
(*v*) Rent of Gas Engines.. .. .. $
(*w*) Rent of Gas Lamps .. .. .. $
(*x*) Rent of Public Lamps other than Gas Lamps .. .. .. $

Total Rents .. .. $

Total Revenue from Operating .. .. $

Revenue from Sources other than Operating.

(*aa*) House and Land Rentals (Net) .. .. $
(*bb*) Cash Discounts on Purchases .. .. .. $
(*cc*) Interest on Deposits in Banks, &c. .. .. $
(*dd*) Interest on Investments .. .. .. $
(*ee*) Miscellaneous Income :
Viz.: .. .. $
.. .. $
.. .. $
.. .. $

Total Revenue (Net) from Sources other than Operating .. .. $

(1) *Manufacturing Expense.*

A. Operating Works.

(*a*) Coal and Coal (not including cannel) .. $
Viz.: For Coal Gas.
Coal used in Firing-up Benches .. .. $
Coal used in Retorts .. $
Coal used under Retorts $
Coal used in Drawing and Charging Machines .. .. .. $
Coke used under Retorts $
Coke used in Drawing and Charging Machines .. .. .. $
For Water Gas :
Coal used in Generators $
Coke used in Generators $
$

(*b*) Oil and Tar used in Firing Benches and under Retorts .. .. $
(*c*) Steam .. .. $
Viz.: Coal used under Boilers $
Coke used under Boilers $
Coal Gas Tar under Boilers .. .. .. $
Water Gas Tar under Boilers .. .. .. $

(*d*) Enrichers .. .. $
Viz.: Cannel Coal .. .. $
Naptha .. .. .. $
Gas Oil .. .. .. $

(*e*) Purifying Materials .. .. $
Viz.: Lime .. .. .. $
Oxide .. .. .. $
Shavings .. .. .. $

(*f*) Water.. .. .. $
(*g*) Lighting Works .. .. $
(*h*) Wages at Works .. .. $
Viz.: Retort Wages, Coal Gas $
Generator Wages, Water Gas .. .. .. $
Purifier Wages .. .. $
Carbureting Wages .. $
Stable Wages at Works.. $
Laboratory Wages .. $
Other Wages at Works .. $

(*i*) Salaries of Superintendent of Works and Assistants .. .. $
(*j*) Miscellaneous Expense at Works.. .. $

Total Operating Works.. .. .. $

B. Maintaining Works.

(*k*) Repairs of Benches and Retorts.
Labour .. .. $
Materials .. .. $
$

(*l*) Repairs of Generators and Superheaters.
Labour .. .. $
Materials .. .. $
$

(*m*) Repairs of Boilers and Steam Supply.
Labour .. .. $
Materials .. .. $
$

(*n*) Repairs of Purifiers and Exhausters.
Labour .. .. $
Materials .. .. $
$

(*o*) Repairs of Mains and Pipes at Works.
Labour .. .. $
Materials .. .. $
$

(*p*) Repairs of Water Supply.
Labour .. .. $
Materials .. .. $
$

(q) Repairs of Storage Holders at Works.
Labour .. .. $
Materials .. .. $
$

(r) Repairs of Buildings.
Labour .. .. $
Materials .. .. $
$

(s) Miscellaneous Repairs at Works.
Labour .. .. $
Materials .. .. $
$

Total Maintenance Works .. .. $

C. Gas Purchased cu. feet @ $ .. $

D. Depreciation at Works.
(Final Renewals and Reconstruction provided for by annual estimates.)

Depreciation of—
Benches and Retorts (Life of years) $
Generators and Superheaters (Life of years).. .. .. $
Purifiers and Exhausters (Life of years) $
Mains and Pipes at Works (Life of years).. .. .. $
Water Supply (Life of years) .. $
Boilers and Steam Supply (Life of years).. .. .. $
Storage Holders (Life of years) .. $
Buildings (Life of years) .. .. $
Other Depreciation at Works .. .. $

Total Depreciation at Works .. $

Recapitulation of Manufacturing Expense.

A. Operating Works .. .. $
B. Maintaining Works .. .. $
C. Gas Purchased .. .. $

Total Actual Current Expenses .. $
D. Depreciation at Works (Estimated) .. $

Total all Incurred Costs of Manufacture $

(2) *Distributing Expense.*

E. Operating.
(a) Salaries of Superintendents and Assistants (proportion) .. .. $
(b) Wages of General Clerks, Distribution Department .. .. $
(c) Wages of Engineers, Firemen, and Helpers $
(d) Wages of Watchmen, Yardmen, Stockmen, and Helpers .. .. $
(e) Wages of Building and House Piping Inspectors .. .. $
(f) Wages of Jobbers .. .. $
(g) Distribution Department Boiler Fuel .. $
(h) Lighting, Distribution Department .. $
(i) Water Used, Distribution Department .. $
(j) Distribution Expense .. .. $
(k) Laboratory Wages and Expense .. .. $
(l) Setting and Removing Meters .. .. $
(m) Setting and Removing Stoves* .. .. $
(n) Setting and Removing Gas Engines* .. $
(o) Setting and Removing Gas Appliances* .. $
(p) Lighting Gas Lamps*.. .. .. .. $
(q) Lighting other than Gas Lamps* .. .. $
(r) Gratuitous Work .. .. $
(s) Drafting Wages and Expense .. .. $
(t) Distribution Stable Wages and Expense .. $
(u) Wages of Mains and Service Inspectors .. $
(v) Leakage Expenses .. .. $
(w) Care of Distribution Holders, Wages .. $
(x) Care of Distribution Holders, Expenses .. $
(y) Miscellaneous Distribution .. .. .. $

Total Operating (Distribution) .. $

*Includes repairs not paid by consumers.

F. Maintaining.
Repairs of Mains .. .. $
Labour .. .. $
Material .. .. $

Repairs of Services .. .. $
Labour .. .. $
Material .. .. $

Repairs of Meters .. .. $
Labour .. .. $
Material .. .. $

Repairs of Holders .. .. $
Labour .. .. $
Material .. .. $

Miscellaneous Repairs .. .. $
Labour .. .. $
Materials 6

Total Maintaining (Distribution) .. $

G. Depreciation of Distributing Plant.
Depreciation of Mains .. .. $
Depreciation of Services .. .. $
Depreciation of Meters .. .. $
Depreciation of Holders .. .. $
Depreciation, Miscellaneous .. .. .. $

Total Depreciation (Estimated) .. .. $

Recapitulation of Distributing Expense.

E. Operating .. .. $
F. Maintaining .. .. $

Total Actual Current Expenses .. $

G. Depreciation of Distributing Plant (Estimated) $

Total all Incurred Costs of Distribution $

(3) *General Expense and Management.*

(*a*) Directors' Fees .. .. $
(*b*) Salaries of Officers .. .. $
(*c*) General Salaries .. .. $

Viz.: Salaries—

Treasurer's Department ..	$
Auditing Department ..	$
Cashier's Department ..	$
Purchasing Department ..	$
Application Clerks	$
Bookkeepers, General Clerks and Office Messengers ..	$
Stenographers, Addressing and Billing Machine Operators	$
Telephone Operators ..	$
Collectors	$
Meter Readers	$
Bill Deliverers	$
Chief Engineer, Consulting Engineers and Assistants	$
Miscellaneous Salaries ..	$

(*d*) Legal Department, Salaries and Expense .. $
(*e*) Sales Department, Salaries and Expense .. $
(*f*) Office Expense .. .. $
(*g*) Telephone Rental and Tolls .. .. .. $
(*h*) Rent of Offices .. .. $
(*i*) Lighting Offices .. .. $
(*j*) Premium on Employees' Bonds .. .. $
(*k*) Subscriptions and Donations .. .. .. $
(*l*) Association Meetings and Expense .. .. $
(*m*) Advertising, General .. .. $
(*n*) Miscellaneous Expense .. .. $

Total General Expense .. .. .. $

Recapitulation.

(1) Manufacturing Expense.
Operating Works .. .. $
Maintaining Works .. .. $
Gas Purchased .. .. $
Depreciation at Works .. .. .. $

(2) Distributing Expense.
Operation .. .. $
Maintenance .. .. $
Depreciation .. .. $

(3) General Expense .. .. $

Total 1, 2, and 3.. .. .. .. $
(4) Taxes .. .. $
(5) Franchises .. .. $
(6) Rentals (Leaseholds, &c.) .. .. .. $
(7) Insurance .. .. $
(8) Damages and Extraordinary Legal Expenses $
(9) Guaranty (Bad Debts) .. .. $
(10) Depreciation (if not provided for in 1 and 2) $
(11) Miscellaneous .. .. $

Total Expenses .. .. $

Subsidiary schedules for items 4 to 11 should follow or precede this recapitulation.

The true places for schedules of depreciation are in 1 and 2, as set forth in those divisions, but as these items at present are set forth in but few companies' books with intelligent prevision, it has been found necessary to provide item 10, where general charges for depreciation can be summarised.

Solicitors' Managing Clerks' Association.

Debentures of Trading Companies.

Lord Justice Fletcher Moulton presided on Friday, the 25th ult., at a lecture delivered before the Solicitors' Managing Clerks' Association in the Old Hall, Lincoln's Inn. Mr. Ruskill, K.C., was among those present.

Mr. Felix Cassel, K.C., lectured on "Debentures of Trading Companies." He said the scope of the lecture would be confined to the debentures of companies registered under the Companies Acts, 1862 to 1900, ordinarily referred to as "trading companies" as distinct from companies formed by charter or private Acts of Parliament, and he would confine his attention to dealing with some of the more important matters and questions which were likely to present themselves for consideration in connection with the preparation of an issue of debentures, and speak in particular of what was perhaps the most distinct and important characteristic of the debentures of trading companies—floating charges. With regard to these, he said that a floating charge had been defined by Lord Macnaghten in *Government Stock and other Securities Investment Co., Lim. v. Manila Railway Co., Lim.* (1897, A.C. 81, p. 86), as follows: "A floating security is an equitable charge on the assets for "the time being of a going concern. It attaches to the subject "charged in the varying conditions in which it happens to be "from time to time. It is of the essence of such a charge "that it remains dormant until the undertaking charged "ceases to be a going concern, or until the person in whose "favour the charge is created intervenes." The first point to be noted was that a floating security, though subject to a licence to the company to deal with its property, was nevertheless an existing charge even before the security crystallised. Thus in *Driver v. Broad* (1893, 1 Q.B. 744) it was held that an agreement for sale of a debenture was a contract

an interest in land within the meaning of Section 4 of the Statute of Frauds because the undertaking charged at the time of the agreement included lands. On the same principle it had been held that debenture-holders who had a floating charge only were necessarily parties to a foreclosure action although their security had not yet crystallised. In *Wallace v. Everard* (1899, 1 Ch. 891), and again in *Davies & Co. v. Williamson & Sons* (1898, 2 Q.B. 194), it was held that the rights of debenture-holders prevailed over those of execution creditors even before the appointment of a receiver. But although a floating charge was an existing charge even before crystallisation, it was subject to a licence to the company to deal with its property. With regard to this licence, it had to be considered (1) what are the acts within the scope of the licence; (2) until when does the licence continue to be operative; (3) what are the rights and what is the position of the debenture-holders when the licence terminates and the floating security ceases to float and becomes fixed. As to the first, it was generally stated that the company might as against the debenture-holders do any act and deal with its property in any way in the ordinary course of business. It might buy or sell, collect and pay debts, and so on. But, although a company could go far in dealing with its property as against debenture-holders, it could not in the absence of express provision create further debentures conferring a floating charge to rank *pari passu* with an existing issue, nor could one floating charge be created in priority to another. In the absence of express provision to the contrary, the licence continued until the undertaking had ceased to be a going concern or the debenture-holders had intervened by the appointment of a receiver. The debenture-holders would then be entitled to the undertaking, subject to any encumbrances or other rights. Thus the rights would prevail over the debenture-holders of persons in whose favour specific mortgages had been created subsequently to the issue of debentures, and a right of set-off might be exercised where both the debts were in existence before the crystallisation of the security: *Biggerstaff v. Rowatt's Wharf, Lim.* (1896, 2 Ch. 93). But the rights of debenture-holders prevailed over those of an execution creditor, even if the sheriff had seized and sold the goods. It had recently been held that they also prevailed over a creditor who had obtained a garnishee order *nisi* and even absolute: (*Norton v. Yates* (1906, 1 K.B. 112); *Carney v. Back* (1906, 2 K.B. 746). If the company is in liquidation, the provisions of the Preferential Payments in Bankruptcy Act, 1897, would apply, by which the receiver was required to pay certain debts out of the first assets coming to his hands. It had been held that a solicitor's lien would take priority over the floating charge (*Brunton v. Electrical Engineering Corporation*, 1892, 1 Ch. 434) notwithstanding any condition that the company should not be at liberty to create any mortgage or charge in priority or *pari passu* with the debentures, though such a restriction was valid and effective as against all parties having notice of it, but it would be strictly construed. A person who obtained the legal estate without notice of the condition would also take priority. Even as against a person having only an equitable charge, who had no notice of the condition restricting the right of mortgaging or charging, the debenture-holders might lose their priority by reason of having left the title-deeds in the possession of the company, so as to enable it to deal with its property as if it were not encumbered. The position of the unsecured trade creditor was that if he could get paid by the company in the ordinary way of business, well and good; but if he was unable to obtain payment and endeavoured to levy execution, the debenture-holders could step in and prevent him, and take the benefit of the work done without payment. The subject had been much considered before the Departmental Committee appointed by the Board of Trade in 1905, and, in a minority report, Mr. Gore-Browne, Lord Faber, and Sir William Holland had expressed themselves that a company should not have greater facility for borrowing than an individual, and that it should not be possible for it to create charges on after-acquired book debts or chattels or property not in existence at the time of the creation of the charge. The facilities which now exist had led to much excessive borrowing. Cases were numerous in which the amount of debenture-capital was altogether disproportionate to the paid-up share capital, or in which the business of the company was carried on almost entirely with borrowed capital, To trade with an excess of borrowed capital was dangerous, because interest had to be paid on the debenture capital even if no profits were earned. On the other hand, the majority of the Committee were not in favour of any such sweeping change in the law as to make it impossible for companies to charge future or after-acquired assets. But, even if the balance of advantage was against any such sweeping changes as the abolition of floating charges, there was a minor alteration of the law which might be introduced which was not referred to in the Committee's report. This would be to give to creditors who had supplied goods or done work a lien as against debenture-holders having a floating charge on such goods or work for the price. This would meet the hardship that debenture-holders were able to take the benefits of goods supplied and work done without any payment. Mr. Cassel also very fully considered the whole question in a paper which was listened to with great interest.

Lord Justice Fletcher Moulton, replying to a vote of thanks, said it was a great pleasure to hear a thorny and difficult legal subject dealt with so admirably, logically, and tersely. Having the pleasure of hearing the members of the Bar many hours every day, the quality of terseness rose in his estimation higher and higher.

(*Law Times.*)

Meetings for the ensuing Week.

Tuesday—NOTTINGHAM CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Ten Minute Papers—

(*a*) The Preparation of Company Accounts for Income-Tax Purposes, by Mr. D. S. Cowley, A.C.A.,

(*b*) The Abuses of Limited Liability, by Mr. F. B. Sharp, A.C.A.,

(*c*) The Metric System, by Mr. J. L Milligan, at 1 King John's Chambers, Bridlesmith Gate; 7.30 p.m.

Wednesday—LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY.—Lecture, "The Receiver and Manager (in Chancery)," Part II., by Mr. W. H. Fox, F.C.A., at the Hall of the Institute, Moorgate Place; 6 p.m.

LEICESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Cost Accounts of Small Manufacturers," by Mr. M. Webster Jenkinson, A.C.A., at Winchester House, 1 Welford Road; 7 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Companies Acts and Cases as they Affect Accountants," by Mr. H. P. C. Kelland, at the Hall of the Incorporated Law Society, Bowlalley Lane; 7.45 p.m.

Thursday—LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Debate, at the Library, 3 Lord Street; 6 p.m.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Feb. 1st, was 159, viz.:—New Bankruptcy Proceedings published in the *London Gazette*. 80; Deeds of Arrangement registered, 79. The respective numbers in the corresponding week of last year were: Bankruptcies, 112; Deeds of Arrangement, 85—total, 197; being a decrease of 38. The total number of commercial failures recorded during the 5 weeks of the present year is 700; the total number recorded in the corresponding 5 weeks of last year was 820, showing a decrease of 120.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Feb. 1st, was 148. The number in the corresponding week of last year was 165, showing a decrease of 17. The total number filed during the 5 weeks of the present year is 670; the total number filed in the corresponding 5 weeks of last year was 707, showing a decrease of 37.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Feb. 1st, amounted to £1,827,390, by way of addition to £204,233, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,132,670, showing an increase of £694,720. The total amount registered during the 5 weeks of the present year is £9.595,134 (in addition to the issues in previous years by the same companies), as compared with £6.535,064 for the corresponding 5 weeks in 1906, showing an increase of £3,060,070.

The Profession in Scotland.

Institute of Accountants and Actuaries.

THE annual general meeting of the Institute of Accountants and Actuaries in Glasgow was held in the hall, St. Vincent Street, on the 29th ult., Mr. John Mann, Senr., the President, in the chair. On the motion of Mr. Mann, the report and accounts were unanimously adopted. The following gentlemen were elected members of Council, in room of those retiring by rotation, viz.:—Messrs. Patrick H. Aikman, J. C. Robertson, Charles D. Gairdner, and John T. Rankin. The remaining members of Council were re-elected. The Council for the year is as follows:—President, Mr. John Mann, Senr.; members of Committee—Messrs. David Strathie, Matthew Mitchell, Peter Rintoul, J. Herbert Wilson, A. Herbert Brown, Thomas Jackson, Robert Carswell, Robert M. Maclay, Alexander D. Deas, Patrick H. Aikman, J. C. Robertson, Charles D. Gairdner, and John T. Rankin; Auditor, Mr. John Wilson; Treasurer, Mr. T. A. Craig; Secretary, Mr. Alexander Sloan. The following were elected to represent the Institute on the Joint Committee of the English, Scottish, and Irish Chartered bodies, viz.:—Messrs. Thomas Jackson, John Annan, and Alexander Sloan. The following having passed all the examinations prescribed by the rules and been found duly qualified were, on the recommendation of the Council, admitted as members, viz.:—Harry Boyack, 1,633 Monadnock Block, Chicago; John Boyd, Junr., Glasgow; Wilson Morison Braithwaite, Edinburgh; James Daniel Cowan, Glasgow; James Graham Cram, Dundee; Richard Sydney Field, Glasgow; John David Gatheral, Glasgow; Andrew Pickard Gilmour, Glasgow; John Henry, Glasgow; James Pritchard Lewis, Glasgow; Cecil Dunn Macindoe, Glasgow; John Peacock, Glasgow; George Alexander Reid, Dundee; Laurence Hope Robertson, Glasgow; Charles Stewart, Dundee.

Chartered Accountants of Scotland.—General Examining Board.

The report by this board for the year ended 31st December 1906 states that the various examinations have been conducted under the same arrangements as last year.

Preliminary Examination:—Diets of examination were held in Edinburgh, Glasgow, and Aberdeen on 2nd June

and on 1st December 1906. The following table gives the number of candidates and the results, as well as a comparison with the two previous years :—

	No. of Candidates	Passed	Failed	Failures per cent.
June 1906	82	49	33	40·2
December 1906 ..	78	55	23	29·5
Results for the Year	160	104	56	35·
Results for 1905 ..	179	102	77	43·
" " 1904 ..	163	83	80	49·

In addition to the candidates who passed this examination, 34 apprentices were allowed exemption from it on production of the requisite school-leaving, or other equivalent, certificates, compared with 38 in 1905.

Intermediate Examination :—Examinations were held in Edinburgh, Glasgow, and Aberdeen, on the 5th and 7th June and the 4th and 6th December 1906, the following being the number of candidates and the results :—

	No. of Candidates	Passed	Failed	Failures per cent.
June 1906	61	50	11	18·
December 1906 ..	84	36	48	57·1
Results for the Year	145	86	59	40·7
Results for 1905 ..	141	111	30	21·2
" " 1904 ..	147	97	50	34·

Final Examination :—Diets of Examination were held in Edinburgh, Glasgow, and Aberdeen on the 4th, 5th, 7th, and 8th June, and on 3rd, 4th, 6th, and 7th December 1906. The results are tabulated as follows :—

	June 1906		Dec. 1906		Total		1905	
	No.	%	No.	%	No.	%	No.	%
Entered for Whole Examination :—								
Candidates	42	..	42	..	84	..	66	..
Passed Both Divisions	17	40·5	19	45·2	36	42·9	33	50·
" First Division only ..	17	40·5	11	26·2	28	33·3	13	19·7
" Second Division only ..	1	2·4	1	2·4	2	2·4	..	..
Failed in Both Divisions	7	16·6	11	26·2	18	21·4	20	30·3
Entered for First Division only :—								
Candidates who had previously passed Second Division ..	1	..	4	..	5	..	9	..
Passed..	..	..	3	75·	3	60·	5	55·6
Failed	1	100	1	25·	2	40·	4	44·4
Canditates who had not previously passed Second Division	8	..	13	..	21	..	13	..
Passed..	7	87·5	6	46·2	13	62·	10	76·9
Failed	1	12·5	7	53·8	8	38·	3	23·1
Entered for Second Division only :—								
Candidates who had previously passed First Division	15	..	37	..	52	..	31	..
Passed..	4	26·6	19	51·4	23	44·2	16	51·6
Failed	11	73·3	18	48·6	29	55·8	15	48·4
Candidates who had not previously passed First Division ..	1	..	5	..	6	..	9	..
Passed..	..	..	..	..	..	..	3	33·3
Failed	1	100	5	100	6	100	6	66·7

A revised syllabus of examinations will come into operation in 1907. In the Preliminary Examination either Latin, French, or German, is now compulsory; and the Intermediate Examination will include "Annuities Certain" and "Précis Writing." "The Principles of Cost Accounts," and "Statements for Income Tax Returns and Claims," are subjects specified under the second division of the Final Examination.

For the week ending the 2nd February the number of insolvencies reported in Scotland was 32, as compared with 23 in the corresponding week of last year. The trust deeds numbered 18, as compared with 9; the sequestrations 4, as compared with 8; and the petitions for cessio 10, as compared with 6. The total for the five weeks of the year is 134, as compared with 112 last year—the trust deeds numbering 67 against 44, the sequestrations 29 against 34, and the petitions for cessio 38 against 34. Of the 18 trust deeds reported last week, 7 were granted in favour of Chartered Accountants.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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TABLE "A."

A reprint of the new Regulations for the Management of a Company Limited by Shares.

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Leading Articles.

The Institute's Right of Exclusion from Membership.

THE decision of Mr. Justice KEKEWICH in the case of *James v. The Institute of Chartered Accountants*, which appeared in our Law Reports last week, is not likely to have caused our readers much surprise. Some of them, however, may have felt tempted to wonder what possible object the plaintiff could have had in instituting such proceedings, or what hope he possessed that he would be able to bring them to a successful conclusion.

The facts of the case are of the simplest, and are clearly shown in our Law Report. It appears that the plaintiff, who was admitted a member of the Institute in 1881, in 1903 omitted to pay his subscription for the current year, and was accordingly excluded from membership on the 30th September 1903, by a resolution of the Council duly passed in accordance with the Institute's regulations. The plaintiff's contention was that, having removed his offices, the notices which had been forwarded to him by the Secretary of the Institute on the 31st March, 26th June, 24th July, 23rd September, and 30th September 1903, to his registered address did not reach him, and that accordingly he had not had "an opportunity of being heard," which he was entitled to under the regulations of the Institute before he could be excluded. This indeed is strange logic. If the onus lay upon the Institute to prove that its notices had reached their destination before it could act upon them, it must be obvious that even an absconding member, who was a fugitive from justice, could not be excluded for any reason whatsoever; but as a matter of fact it is obviously unnecessary to have recourse to so exceptional a case in order to demonstrate the fatuity of this contention as to what a reasonable "opportunity" consists of. Five notices sent to a member at his registered address intimating to him that his subscription is in arrear, and warning him of what will take place unless his subscription is paid, must certainly be regarded as ample; and the only point in such a case where the necessity for reasonable opportunity of being *heard* could arise, would be supposing the plaintiff claimed that he *had* in point of fact paid his subscription—for under any other conceivable circumstances there could obviously be nothing to discuss. In the course of his judgment Mr. Justice KEKEWICH decided that the sending of these letters to the registered address of the plaintiff gave him a fair opportunity of being heard; but he added that the matter did not rest there, as it was not a pure accident that the plaintiff did not get the letters. He had moved his offices and taken no steps to make his change of address known, beyond calling at the old address for letters for a few weeks. His conduct in the matter was thus the origin of his own misfortunes. If necessary, one might go further and suggest that the mere fact that a member cannot be found at his registered address, and that the letters sent to him there fail to reach him, seems *primâ facie* ground for concluding that that member is no longer in practice.

Virtually, however, Mr. Justice KEKEWICH's decision amounts to this, that the Council is entitled, in the exercise of its discretion, to refuse to reinstate a member who has neglected to pay his subscription upon that member paying up arrears. That point has now been satisfactorily decided in the only way in which it was ever reasonably probable that it would be, and the Courts have held that the regulations of the Institute are binding upon its members.

The Economic Bank Case.

AFTER a trial at the Central Criminal Court occupying seven days, S. G. MASSEY, who was described as manager and director of the Economic Bank, and indicted for making and publishing false statements concerning the bank with the object of inducing persons to entrust money to the bank, was convicted and sentenced by the Common Serjeant to twelve months' imprisonment in

the second division. It may be that our views upon such cases are somewhat extreme, but we must confess that we do not think that such a result is likely to have any deterrent effect upon other malefactors. That the case was a somewhat involved one may be readily gathered from the length of time that it took to unravel. As a rule, when a plea of "Not guilty" involves a protracted trial which ultimately results in a conviction, the fact that the prisoner has thus wantonly wasted public time and public money is taken into account in fixing the sentence. If it were taken into account in this case, however, one can only wonder what the sentence would have been had MASSEY pleaded guilty. Whatever it had been, it could, we think, hardly have been more inadequate.

The facts, when evolved by the troublesome process of examining and cross-examining witnesses, proved that the prisoner, as the responsible manager of the Economic Bank, had caused notices and circulars to be issued representing the bank as most suitable for the investment of moneys belonging to persons who desired to avoid even ordinary banking risks, because (so it was stated) no bills were discounted and no loans were issued, but the whole of the depositors' moneys were invested in trustee and other first-class securities. Upon the faith of these representations numerous deposits were lodged, but upon the failure of the bank it transpired that it had made loans to the Financial and Commercial Bank, and that the books had been falsified so as to obscure the facts. The extent to which the interests of depositors were considered was shown by the evidence of a clerk from the offices of the liquidator, who stated that the bank's assets had realised £1,055, and that about a further £500 might be received, whereas the total unsecured liabilities were £46,874. It will thus be seen how absolutely fictitious was the statement that the deposits received by the bank were invested in trustee or other similar securities.

Even this, however, is not the worst feature of the case. Mr. HORACE AVORY, K.C. (who led for the prosecution), pointed out that the prisoner had already had two warnings: a Mr. BURT, who at one time was a trustee of the Economic Bank, was proceeded against in connection with certain statements regarding a dock company, which could hardly fail to bring to MASSEY'S attention the importance of accuracy in such matters. Again, at a later stage, MASSEY was himself charged with issuing statements alleged to be false in connection with a bank called the London and Suburban Bank, with which he was at one time connected, and although he was acquitted upon that occasion, the jury added a rider censuring the issue of circulars which were the subject of the prosecution. It will thus be seen that although this was MASSEY'S first conviction it could, broadly speaking, hardly be called his first offence, and certainly it could not be supposed that he had drifted into his present position unconsciously, and through ignorance of the law. Apparently, however, the Common Serjeant took the view that there were others not then before the Court who were as bad as, if not worse than, the prisoner; and it was presumably upon this ground, and perhaps also on account of his advanced age, that he passed the altogether inadequate sentence that we have referred to above. When the effect upon the community of such offences as this is contrasted with the effect of other offences which are more

frequently being tried in the Central Criminal Court, it will, we think, be readily seen that those who break the law for the purposes of enriching themselves appear generally to get off very much more lightly than those who break the law for other reasons that are often far more readily capable of being excused.

The Principles of Percentages of Cost as applied to Various Businesses.

FEW subjects are more interesting and in a more neglected state than Cost Accounts, and accordingly the paper by Mr. W. H. Fox, F.C.A., on the above subject, reproduced in our issue of the 19th ult., is of special interest, and suggests many profitable fields for further inquiry, thus serving what is, perhaps, the chief object of every paper read at a Students' Society meeting.

The lecturer shows how, in drafting a Profit and Loss Account, it is necessary to consider questions of form if that account is to be so framed as to readily lend itself to percentage calculations, inasmuch as these calculations must in all cases be based upon a definite unit, to which each item of expenditure relates. Whether, however, the sales can in all cases be regarded as the unit is, it seems to us, a somewhat open question. Expenses of distribution may for this purpose well be said to vary with the volume of sales, although it is, of course, obvious that many such expenses remain practically constant even although the turnover may fluctuate considerably. But manufacturing expenses are determined not by the amount of the sales, but by the output of the factory, which may be an altogether different thing, and which certainly would be a very different thing in cases where the business combined manufacturing with pure trading—that is to say, in cases where some of the goods are purchased ready made. Our own view is that the *pro formâ* statements of account, highly interesting and suggestive as they are, would not prove of much value in practice, in that the majority of the items of expenditure are, by means of the percentage statements, compared with a hard and fast unit with which they have no very special relationship. It appears to us that the fundamental importance of selecting a really appropriate unit has not been sufficiently considered, otherwise it would not have been seriously suggested—for we presume the suggestion is serious—that some useful purpose might be served by working out the expenses relating to an accountant's business at so much "per client." It is clear that a paper-maker could arrive at no reliable information by reducing his expenditure to the unit of per hundred reams, inasmuch as paper is of many sizes, apart from being of many qualities, and some paper—instead of being made in sheets—is made in rolls, and thus is never expressed in reams at all. The proper treatment appears to be duly appreciated in connection with Brewery Accounts, the unit there being as per barrel brewed, and not per barrel sold. As a matter of fact, however, the variations in the stock of a brewery are so slight that the adoption of a wrong basis would probably be less observable here than with most industries.

Turning from the general to the particular, and dealing first with the *pro formâ* accounts of a dressmaking business, it is a little curious that these accounts should contain no provision for finished stock. Certainly no ordinary dressmaker could carry on business without some stock in hand, and in the majority of cases

it would amount to an appreciable item. The volume of work in progress would also, in the majority of cases, be considerably larger than is stated, and this would increase the difficulty of dealing satisfactorily with this item. For our own part, we doubt whether it is expedient to "load" work in progress with any portion of the profit expected to be made upon the finished article, but it is clear that the point is one upon which a definite course must be taken, in order that the output of the factory may be ascertained upon a proper basis. We are somewhat surprised that no reference whatever should be made to gross profit. By no means every business man defines gross profit in the same way, but there is certainly no man in the soft goods trade who does not use it as a basis for costing; and, that being so, we are strongly in favour of the so-called Profit and Loss Account being divided upon the usual lines into Trading Account and Profit and Loss Account, the more so because, as we have already stated, the proper basis for the percentage calculations with regard to the Trading Account is output, whereas with regard to the Profit and Loss Account it is sales.

Turning to the *pro formâ* accounts of an accountant, while expressing a doubt as to whether the term "ordinary" can fairly be applied to Form B (1), we may admit the material improvement effected by recasting the figures shown in the form shown in B (2), save that we doubt the expediency of deducting bad debts from the credit side, as the practical result of so doing might be to cause this important item to receive very insufficient attention. For the purposes of any percentage statement it is necessary, no doubt, to take into account the estimated value of work in progress, but we rather question whether it is desirable to do so in the financial books. The amount of charges that will eventually be recovered in respect of a bankruptcy, receivership, or liquidation, or in any matter payable by commission contingently upon the business being carried through, has little or no relationship to the time charges; and thus any money value that may be placed upon the Time Balances must be either entirely misleading as an estimate of fees to be received in the future, or else an inconsistent pricing out of the time occupied upon the work. In the former event the whole account is fallacious; in the latter, the percentage statement becomes largely imaginary. It is true that, in spite of these drawbacks, the percentage statement may still serve a useful purpose in the interests of efficient administration, but its somewhat manifest limitations ought, we think, to be clearly stated.

The *pro formâ* accounts relating to the paper-maker's business are decidedly interesting, but for practical purposes their value would, we think, be considerably enhanced if the so-called Profit and Loss Account were subdivided, and the expenditure expressed as a percentage of some unit to which it related in each case. Most interesting of all are undoubtedly the accounts relating to the brewing business, but it is not at all clear why the whole of the fixed charges should be debited against the brewing profits, leaving the wine and spirit and mineral water departments to be run rent-free; moreover, the brewery rentals should, we think, be credited to the Brewery Profit and Loss Account, which will, in the ordinary course of events, be charged with any expenses such as Interest, &c., connected therewith.

Students will find it an interesting and profitable occupation for them to take the accounts of any manufacturing undertaking passing through their hands and recast them, first upon the lines indicated by Mr. Fox, and then upon these lines as modified in accordance with our suggestions. If they proceed thus with the accounts of any undertaking for two consecutive years they will be better able to appreciate the purport of our remarks.

Weekly Notes.

The Northern Chartered Accountants Students' Society. The presidential address delivered by Mr. F. C. Squance, F.C.A., at the opening of the new session of the Northern Chartered Accountants Students' Society, is well worthy of the careful attention of all accountant students. A copy of this address appeared in our issue of the 26th ult., and we could have wished to deal with it at greater length than is practicable in the course of the present note, but in spite of its interest, Mr. Squance's paper contains so little that is open to discussion that it hardly seems to provide the necessary material for a regular article. Those who are interested in the history of bookkeeping will find something that will well repay their time and trouble in Mr. Squance's quotation from a work by Robert Recorde, published in 1551, which contains but little practical instruction it is true, but throws an interesting sidelight upon the business methods of the time.

Unregistered Companies. Our contemporary *The Solicitors' Journal* points out in a recent issue that the practice, so prevalent at the present time, of individuals trading in the names of companies without going through any form of registration makes it extremely difficult to hold them responsible for their actions. It is undoubtedly time that all persons trading or carrying on any business or calling in names other than their own should be required to register their full names and addresses with some central authority, the register to be open to the public either gratis or upon payment of only a nominal fee. At the present time, by the simple expedient of pretending that he is the agent of an unregistered company, an unscrupulous man may frequently secure all the benefits of limited liability without incurring any of the liabilities or expenses.

A New Investment and Trustee Company. The General Investment and Trustee Company, Lim., which has been formed with a capital of one million pounds to conduct the business of a trust and investment company, contains on its board Mr. John Smith, C.B., late Inspector-General in Bankruptcy (as Chairman), and Mr. J. S. Harmood-Banner, F.C.A., M.P. In view of the low prices ruling for all classes of Stock Exchange securities, the present would appear to be a favourable opportunity for starting a new undertaking of this description. It is to be hoped, however, that advantage will be taken of the experience of the past, and that the mistakes of other trust companies some fifteen years or so ago will be avoided.

Refunds of Income Tax Overpaid. According to the *Magazine of Commerce* the Board of Inland Revenue returned £685,847 income-tax overpaid in 1894-5, in the year 1899-1900 the amount had increased to £1,017,862, while in 1903-4 the total amount refunded was no less than £2,868,798. It should not be overlooked, however, that during the last-named period the tax was 11d. in the £, against 8d. in the £ for the two earlier periods stated. Making every allowance for these, however, it is clear that there has been a substantial increase, due very largely no doubt to the increased scale of abatements granted in 1898.

The Organisation of Audit Work. We understand that Lyons' Ink, Lim., are now manufacturing a new kind of checking ink in all colours specially adapted for the requirements of accountants. The idea is that each audit clerk can have his own particular colour or tint, thus enabling responsibility in connection with the minutest details of an audit to be readily fixed. Apart from the somewhat curious appearance that the employment of numerous colours would give to the books, there seems to be something to be said in favour of the idea, and we shall be interested to hear, therefore, whether any of our readers have given it a trial, and, if so, with what results.

Another Accountants' Society. We understand that an Institution of Certified Public Accountants has recently been registered as a company limited by guarantee. As the expression "Certified Public Accountant" is the recognised description of professional accountants formally recognised by the

Legislature of the United States, it is obvious that it is undesirable that it should be employed in any other connection, even in this country. The matter is of sufficient interest to Certified Public Accountants, several of whom have offices in England, to induce them to test its legality.

The Rights of Creditors. We are a little surprised that none of our readers should have commented upon the letter signed "C. B.," which appeared under the above heading in our issue of the 19th ult. The question raised represents probably one of the most pressing needs for a reform of the existing law, under which the creditors of a man who subsequently turns out to be an undischarged bankrupt are practically helpless because the situation is controlled by the Official Receiver, who, as a rule, will do nothing, and any moneys that may be recovered go first to the payment of the creditors in the first bankruptcy. In such cases it is, as a rule, mere waste of time and money for the creditors in the second failure to attempt to do anything at all, and a knowledge of this fact naturally encourages the unscrupulous. Our own view is that if a man fails a second time and the first bankruptcy has been closed, the assets then recoverable ought in the first instance to be applied towards the payment of the creditors in the second bankruptcy, even although the bankrupt has not obtained his discharge in the first. This might involve some grievance on the part of the creditors in the first bankruptcy, but we feel sure that the equities would be better considered in that way than under the present rule, and unquestionably there would be a better chance of the conduct of the bankrupt being looked into, and of a serious attempt being made to discover undisclosed assets. We hope that the point will not be overlooked by the Committee that is now sitting to consider amendments in the bankruptcy law.

Bank Bookkeeping and Accounts. It will, perhaps, be of interest to our readers to hear that "Bank Bookkeeping and Accounts," by Mr. J. A. Meelboom, A.C.A., and Mr. Chas. F. Hannaford, which is Vol. I. of the "Accountants' Library" Series, has now been placed on the Syllabus of the Institute of Bankers as a text-book for the examinations of that body. As the work was published nearly six years ago, we cannot congratulate the Council of the Institute on its promptness in recognising it as by far and away the best work on its subject that has yet been issued.

Bankruptcy Law Amendment. The twenty-sixth meeting of the Bankruptcy Law Amendment Committee was held on the 7th inst. at the Royal Courts of Justice, the Chairman, Mr. Muir Mackenzie, presiding. The principal witness was Mr. T. J. Phillips (of the firm of Dent, Allcroft & Co.), and the subjects discussed related principally to the question whether the Court should in all cases consider the bankrupt's conduct for the purpose of dealing with his discharge, and to the efficacy of the present law in reference to deeds of arrangement outside bankruptcy.

Inter-departmental Profits and Losses. Our readers will hardly require to be reminded that the speciality of the system of finance with which the names of such persons as the late Mr. Whitaker Wright are prominently associated consists in the manufacturing of non-existent profits by the simple expedient of selling an article owned by one department or company to another department or company, as the case may be, at a largely inflated price, upon the understanding that the said article shall be resold to the original department or company at a later stage, so that although assets are never valued at a figure in excess of actual cost price, it may become readily possible to derive paper profits by juggling with assets which may in themselves be entirely unrealisable. It is conceivable that in certain circumstances this mode of finance may possibly be defensible, although as a matter of fact we have yet to find the man who is sufficiently bold to uphold it in the bald form that we have explained above. Apparently, however, there are some who consider that such methods of dealing with accounts are entirely justifiable, provided the object be to show a loss on each inter-departmental transfer, instead of a profit. We must confess that we are somewhat at a loss to understand how a transaction which is essentially unreal if its object be to show non-existent profits can become any the more real because its object is apparently the precise opposite. It would appear, however, that those responsible for the financial methods of the London County Council so consider, or else they are unacquainted with what is actually going on in their midst. As a case in point, and because one concrete instance is worth a dozen generalisations, we may mention that the Council bought Reid's Brewery at a cost of £201,107, and afterwards sold it to the Housing Committee for £44,000; while a perhaps even more flagrant case is that of the Brightlingsea building, the site for which cost th-

Council £12,000, but which was actually handed over to the Housing Committee at nil, with a subsidy of £397 thrown in. The business of the Housing Committee, from a commercial point of view, is, of course, merely that of a department, and it is clear that if a department is charged with goods at very much less than they have actually cost, it is possible for it to show a quite respectable profit upon paper, while yet dealing with its customers at prices which absolutely defy outside competition.

Infant Contributories. In *Re National Bank of Wales; Massy and Giffin's* case a voluntary liquidator had assented to certain transfers being made, and discovered, when calls were in course of collection, that the registered holder was an infant, and that his transferor, at the time of the transfer, was also an infant. He therefore sought to make the original holders liable for the calls, but it was held that no contractual relationship existed between the company and these parties, and that they could not be put on the list of contributories.

The Bank of France and the Gold Efflux. An interesting reference to the financial support rendered to the Bank of England last autumn is contained in the report of the Banque de France for 1906. As the increase in the Bank Rate here to 6 per cent. proved to be insufficient to stop the efflux of gold, and the strain threatened to transfer itself to France, English paper was discounted, and the large gold reserve permitted funds to be placed at the disposal of a neighbouring and friendly nation to ease the pressure. It is significant that the bank refrained from discounting paper which had the visible object of supporting an exaggerated speculation abroad.

Auction Sale and Reserve Price. Cases of interest to auctioneers are not very common, and *McManus v. Fortescue and another*, which came before the Court of Appeal on the 1st inst., is therefore doubly worthy of notice. Defendants offered for sale certain property on each lot of which (as was stated in the conditions of sale) a reserve price had been placed. One of the lots was knocked down to the plaintiff for a sum which was subsequently found to be below the reserve price, and the auctioneer refused to sign a memorandum of the alleged contract, or to accept a deposit. For the plaintiff it was argued that by the bid he authorised and gave a mandate to the auctioneer to act as his agent, and that the auctioneer, by knocking down the lot to him, accepted that authority and mandate, and was bound, therefore, to complete the sale in accordance with Section 58, Sub-section 2, of the Sale of Goods Act, 1893. The Court dismissed the appeal and upheld the judgment of Mr. Justice Phillimore, the Master of the Rolls remarking that, in his opinion, under the conditions of sale each lot was offered subject to a reserve price, and all bids were merely conditional offers. The fall of the hammer did not in this case amount to an absolute unconditional contract to sell at the price offered, for the condition still remained to be fulfilled.

Twenty Years for a Crichton! The following advertisement appeared in the *New York Chronicle*, and may interest our readers, though the twenty year agreement and the elusive salary clause are distinctly transatlantic:—

> "WANTED.—To engage the services of an able, experienced Auditor, now engaged, with a brilliant record, who knows all there is to know about accounting; an honest, strong, cool, level-headed man, who can handle the accounting of a number of railroad corporations and affiliated companies, and men working under his instructions, and keep his work from day to day in such form and condition that it will be simple and clear to a layman in accounting; a man of initiative, push and vim, who will bend and mold his accounting to meet the views of laymen in that line of work seeking only honest, simple and clear methods; a well-balanced man without nerves; a man of the old school, loyal and true, and one who controls his feelings to such an extent that his countenance is immovable no matter what happens; one who is prepared to trade on the basis of a twenty-year engagement in return for every dollar his services are worth during that period of time.
>
> None but those who can absolutely meet all of above requirements need apply. Address, until March 1st, H. A. ENSIGN, 31 Nassau Street, New York."

The French Income-Tax Bill. The Income-Tax Bill was laid before the French Chamber last week by M. Caillaux, Minister of Finance, and appears to have been very favourably received by both Deputies and press. The measure provides that incomes derived from real and personal property shall pay 4 per cent., those from industrial and commercial undertakings 3½ per cent., and those from "work" 3 per cent. The Rentes are to be exempt, but incomes derived from State

Funds will be liable to the "Global" tax, which is payable on incomes of over 5,000 francs, with a graduated scale ranging from 20 centimes to 4 per cent. All foreign securities will be admitted to the French market on payment of a stamp tax of 2 per cent. on the nominal capital and a tax of 5 per cent. on the dividends. The Reuter's telegram giving these particulars adds that the taxpayer's own declaration is to be accepted unless proved to be incorrect. "There would thus be no arbitrary inquisition." It is not noted, however, what regulations are to be framed as to testing whether the declarations are correct or not. The Bill will now be dealt with by the Committee on Fiscal Reform.

The Jury Challenge in England. The report of the proceedings during the impanelling of a jury in the United States in connection with the Thaw trial has led a writer in *The Globe* to point out that although the right of challenge is but rarely exercised in English Courts it still exists, and Chief Justice Erle is cited as having once said that he remembered a case in which there were four or five prisoners to be tried, and the Sheriff had four hundred jurymen present at the Old Bailey in anticipation of their challenges. It is said that in England the right of a prisoner is limited to twenty peremptory challenges in a murder case, but the Crown may challenge any number of jurors peremptorily, provided that enough are left to go on with the trial.

Railway Rates. For many years chairmen of railway companies have been accustomed to point with indignation to the growing expenses of rates as an excuse for stationary or reduced dividends. This palliative will, seemingly, now be denied them, for the agitation against the demands of local authorities is beginning to tell, as witness the following reported savings under the heading of Rates for the last half-year:—

Barry	£2,500
Great Eastern	3,200
Lancashire and Yorkshire	2,550
London and South-Western	3,070
London, Brighton, and South Coast ..	2,450
South-Eastern and Chatham	11,500
North-Eastern	9,500

It should not, however, be overlooked that, although railway companies may sometimes successfully appeal against excessive assessments, their directors have no control over the poundage rates, the tendency of which seems to be ever upwards.

The Leeds and District Dinner. Our readers will have gathered from the letter of Mr. John Gordon, F.C.A., which we reproduced last week, that the report of his speech at the Leeds and District Chartered Accountants Students' Association, which we dealt with in our issue of the 2nd inst., was too condensed to adequately convey the views that he then expressed. This is, of course, to be regretted, but the responsibility does not rest with us. At the same time we may mention that while the experienced witness will, of course, invariably look well ahead of the examination, and endeavour to divine its purpose, we do not think that the inexperienced witness can be safely advised to do more than thoroughly master his evidence in the first place, and in the second place endeavour to rigorously confine himself to the facts that he has set out to prove. With regard to the question of Sinking Funds, we may say that we still object to the phrase "opposition to the efficiency of a Sinking Fund," which apparently Mr. Gordon uses when he really means "opposition to the alleged insufficiency of a Sinking Fund." We do not think it hypercritical to draw attention to the fact that these expressions are not interchangeable. With regard generally to the question of local authorities' accounts and depreciation, we are glad to have Mr. Gordon's views at greater length, but must repeat that they do not commend themselves to us, or convey to our minds the impression that he has really very carefully thought out the problems involved. We hope to be able to deal with these at some length shortly.

The Board of Trade. Judging from recent appointments made by Mr. Lloyd George, it looks as if none but Welshmen need apply. In the early part of last year the Inspector-Generalship in Bankruptcy was given to a Mr. William Evans. Shortly afterwards, a Mr. Llewellyn Howell was promoted to the position of an Official Receiver in London. A few weeks since Mr. Llewellyn Smith succeeded Sir Francis Hopwood as Permanent Secretary, and the only other candidate (according to the daily papers) who appeared to be in the running was a Mr. Walter Howell. Other departmental promotions of less importance have been liberally bestowed on gentlemen of Cymric origin. Two other appointments, according to a recent issue of *The Observer*, have created a Welsh Liberal crisis: the first being that of a Mr. Ellis Owen, a journalist, who has now become an Official Receiver; the second appointment being that of Sir James Woodhouse, a solicitor, to the vacant Railway Commissionership and £3,0

per annum. *The Daily Chronicle*, in defending or attempting to defend the former of these jobs, asks why journalism should be a disqualification, and then proceeds with apparently unaffected simplicity to say that "the essential consideration should be the suit-"ability of the candidate, for did not Mr. Chamberlain "in 1883 appoint in one case a flour merchant as an "Official Receiver, and in another a mining engineer, "and in a third a chemist." It does not appear what connection there is between Sir James Woodhouse and the Principality.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Intestacies.

(*To the Editor of The Accountant.*)

SIR,—My father died leaving me the whole of his personalty. He made no mention in his will of real estate, thinking he had none. He, however, owned two freehold graves, and my elder brother now claims these as heir-at-law. Is he entitled to them; if so, please state Acts bearing upon same?

ACCOUNTANT.

January 30*th* 1907.

[Property not dealt with by the will is covered by the provisions of the Intestates' Act, and passes to the persons thereby provided. In the case stated it passes to the eldest son of the deceased.—ED. *Acct.*]

English and Foreign Companies in France.—New Regulations relating to Financial Issues.

(*To the Editor of The Accountant.*)

SIR,—In the French "Loi des Finances," voted on the 31st of January last, there is an article which will doubtless be of considerable interest to legal and financial circles in England.

Such article contains stringent provisions affecting French, English, and foreign companies contemplating issuing shares or debentures, or whose securities may be dealt with in France, and will take effect from and after the 1st March 1907.

Too great publicity cannot be given to the said enactment, as the non-compliance with the above provisions will be punishable by fines from ten thousand francs to twenty thousand francs.

The text of the said article as adopted by the Chamber of Deputies was modified by the Senate, and in due course referred back to the Chamber, which approved such modification, and the provisions contained therein have now become law.

The following is a translation of Article III., referred to above:—

"Any issue, posting up or offering for sale, or the introduction upon the French market of shares, debentures, or securities of whatever nature of French or foreign companies, will, as regards such of the above as may be offered to the public, be subjected to the following formalities from and after the 1st March 1907.

"Previously to any steps being taken for advertising, the persons issuing or offering for sale or selling or introducing the above, must insert in a 'bulletin' annexed to the *Journal Officiel*, in a form to be determined by a special decree, a notice containing the following particulars:—

I. The full name of the company or of the undertaking;
II. An indication of the law (French or foreign) which will govern the working of the enterprise;
III. The registered office thereof;
IV. The objects of the enterprise;
V. The duration thereof;
VI. The amount of the capital, the amount per share of each category of shares, and the amount of capital remaining to be called up;
VII. The latest Balance Sheet (of the undertaking) certified as being a true copy, or a statement that the same has not yet been drawn up.

"In addition, the amount of debentures already issued by the undertaking, with a description of the securities attaching thereto, and if it should relate to a fresh issue of debentures, the number as well as the value of the securities to be issued, the interest payable upon each, the date and the conditions of reimbursement, and the guarantees or security upon which such further issue is based, must be stated.

"Furthermore, all advantages stipulated to benefit the promoters, the directors, the manager, or any other person, all property otherwise than in cash conveyed to the undertaking, and the mode of payment therefor, the forms for the calling of general meetings, and the places where the same shall be held, must be set forth in the above 'bulletin.'

"Persons issuing, offering for sale or selling, and persons introducing such securities for sale or issue, must be domiciled in France, and they must affix their signatures with their addresses to the above notice.

"Advertisements, prospectuses, and circulars must reproduce the statements contained in the notice, and mention that such notice was inserted in the bulletin annexed to the *Journal Officiel*, and with a reference to the number in which it was published.

"All advertisements in newspapers must reproduce the same statements, or at least an extract from such statements, with a reference to the said notice, and mention the number of the bulletin annexed to the *Journal Officiel* in which the same appeared.

"Every foreign company making a public issue in France, or offering for sale, or selling or introducing shares, debentures, or securities of any nature, must, in addition, publish in full its memorandum and articles of association in the French language in the same bulletin annexed to the *Journal Officiel*, and this previously to any securities being placed.

"Any non-compliance with the above provisions will be duly noted by the officials of the French Registration Office, and will be punishable by fines from ten thousand to twenty thousand francs.

"Article 460 of the Penal Code will be applicable to offences committed in contravention of the provisions contained in the present enactment."

It will be observed that many of the clauses contained in the new law are based upon those incorporated in the English Companies Act of 1900.

I am, Sir, your obedient servant,

P. PELLERIN,

Paris, 56 *rue la Boëtie.* *Licencié en droit.*

February 6th 1907.

Directors' Remuneration.

(*To the Editor of The Accountant.*)

SIR,—A limited company, incorporated under the Companies Acts, has recently adopted a new article providing that, if the directors perform any extra services, the company may remunerate them for such services. Their ordinary remuneration (there are six of them) is £250 each, which always appears on the printed accounts.

The directors have remunerated some of their number for superintending the erection and fixing up of new works, and are charging this to Capital Account. Is it necessary that the amount so voted should be added to the sum which appears in the annual accounts as "Directors' Remuneration, £1,500." They think it should not.

Yours faithfully,

ENQUIRER.

[The directors are clearly within their rights, and it has been held that such extra remuneration should appear in the Profit and Loss Account, not as capital outlay (see *Ashton & Co. v. Honey, &c.*, T.L.R. XXIII., p. 253). I take it that the Trading Account referred to is the equivalent of Profit and Loss Account. And, in my view, having regard to the terms of the articles, such extra remuneration should be shown *as such*, with some such words "as in accordance with article so-and-so, in respect of so-and-so," immediately following on the item of annual remuneration.—OUR LEGAL CONTRIBUTOR.]

Assessments for the Poor Rate.

(*To the Editor of The Accountant.*)

SIR,—In reply to "Ratepayer" as to the above. The assessment to the poor rate is based on the rent which might reasonably be expected to be obtained from the property from year to year, free from all the usual tenants' rates and taxes, and deducting therefrom the probable average cost of the repairs, insurance, and other expenses necessary to maintain the property in a state to command such rent (6 & 7 Will. IV. c. 96, section 1). These deductions from the rent are not uniform, but are influenced by the age and state of repair and class of the properties, and vary from 10 to 30 per cent. from the rent. The usual deduction is about one-sixth of the rent, and therefore the two houses mentioned in your correspondent's letter would have a rateable value of £15 and £21 respectively, the tenants paying the rates and taxes.

Yours faithfully,

A. JAMES PEARCE, A.C.A.

Ipswich, 9*th February* 1907.

[A work on Rating will shortly be issued by Messrs. Gee & Co., which will deal with all questions such as that raised by our correspondent, and also by others in previous issues, viz., 13th October 1906, &c.—ED. *Acct.*]

Re Deeds of Assignment.

(*To the Editor of The Accountant.*)

SIR,—In your issue of the 5th ult. your correspondent, Mr. David P. Davies, asks me to state my wants more clearly, but unfortunately, owing to stress of business, I have not been able to give the matter immediate attention. However, the point is this:—A creditor sends in a claim some six months after a deed of assignment has been executed, having previously given the trustee notice that he had a claim, but without assenting to the deed. The trustee at the end of four months distributed the estate without giving notice to the creditor. Was the trustee unreasonably premature in closing the estate, and, if so, is he personally liable, or was the creditor dilatory?

Yours faithfully,

February 8th 1907. A. F. D.

A Counting Machine.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent "Dux" a device (hardly a machine) which I have seen in operation for facilitating the counting of large sums of silver I should describe as follows:—

It consists of a series of trays, fitting one above the other, bored with circular holes, the top tray having holes sufficiently large to admit the passage of all coins smaller than the 4s. piece. On pouring in the silver to be counted and after a little mixing about, the top tray will contain 5s. and 4s. pieces only. The second tray has holes which admit the passage of every coin smaller than the half-crown, hence the second tray will contain half-crowns only. The third tray on the same process will contain only 2s. pieces; the fourth, 1s. pieces; the fifth, 6d. pieces; and the bottom tray, 3d. bits.

The 5s. and 4s. pieces were all on the one tray, as the number of the latter in circulation was found to be so small that it was no saving of time to have separate trays for each, although this could easily have been done.

The chief use to which the above device was subjected was in counting silver taken in bags from the bank for the payment of wages.

Yours faithfully,

February 10th 1907. COUNTER.

The Latest Misfeasance Case.

(*To the Editor of The Accountant.*)

SIR,—With reference to your Weekly Note on page 175 of last week's issue respecting amateur liquidators, I have just completed the audit of a reconstructed company where the liquidator of the old company (a director) has parted with the assets for shares and debentures in the new company, which have been allotted to his nominees, in spite of the fact that he is still liable for certain debts contracted in his capacity as liquidator. To make matters worse, the debenture-holders are seriously considering the advisability of appointing a receiver, and unless a sentimental view is taken of the position of the poor misguided lay liquidator, he appears to be in for a hot time.

"Ex uno disce omnes."

Yours, &c.,

February 11th 1907. ASSOCIATE.

Income Tax—New Business.

(*To the Editor of The Accountant.*)

SIR,—I shall be glad if any of your readers would give their experience as to the method of arriving at the assessment of the profits of a *new* business, for the purpose of income-tax, for the first, second, and third years.

I gather that the correct way is, as regards the first year, for the profits to be calculated as nearly as possible for the period up to the 5th April upon the basis of the actual profits of the first year, while for the second and third years the assessment is made upon the amount of the average annual profit from the commencement of the business up to the 5th April prior to the commencement of the year of assessment or to a date prior thereto when the accounts are usually made up.

As an example the following may be assumed:—

The Profit for the first year ending 31st December 1902	£4,000
Second year ending 31st December 1903	5,000
Third year ending 31st December 1904..	7,000

Under which circumstances the assessment should be as follows:—

Assessment for the year ending 5th April 1902, one-fourth of £4,000	£1,000
Assessment for the year ending 5th April 1903 (as per Account to 31st December 1902)	4,000

Assessment for the year ending 5th April 1904 (as per Account to 31st December 1902)	4,000
Assessment for the year ending 5th April 1905 (half of Profits for the two years ending 31st December 1903)	4,500
Assessment for year ending 5th April 1906 (one-third of Profits for the three years ending 31st December 1904)	5,333

I observe that Messrs. Murray & Carter, in their "Guide to Income Tax Practice," state that they—

> "are informed that the Commissioners in London, in dealing with a new business, assess each year on the profits of that year until a three years' average can be obtained. However equitable this latter method may be, it is clearly not in conformity with the Act."

My experience has been that the Income Tax Surveyor sometimes assesses the profits upon the method as shown in the above example, but there appears to be no unanimity of practice, as in some cases, from the profits given above, they would make the assessment for the year ending 5th April 1904 at half of the profits for the two years ending 31st December 1903—that is to say, they would take into account the profits which had accrued during the year of assessment, whilst other Surveyors would even go so far, in making the assessment for the year ending 5th April 1903, as to bring into the average one-quarter of the profits of the year ending 31st December 1903. Or, again, some Surveyors assess the profits of each year separately until a three years' average can be obtained.

We have, therefore, the following different methods of arriving at the assessment of the year ending 5th April 1903:—

(1) Profits for year ending 31st December 1902	£4,000
One-fourth of Profits for year ending 31st December 1903	1,250
	£5,250
Four-fifths of which is £4,200.	

(2) Three-quarters of Profit for year ending 31st December 1902	£3,000
One-quarter of Profit for the year ending 31st December 1903	1,250
	£4,250

For the year ending 5th April 1904 the following methods may be adopted by the Surveyor:—

(1) Profit for year ending 31st December 1902	£4,000
Profit for year ending 31st December 1903	5,000
	£9,000
One-half of which is £4,500.	

(2) Profit for year ending 31st December 1902	£4,000
One-fourth of Profit for the year ending 31st December 1903	1,250
	£5,250
Four-fifths of which is £4,200.	

(3) Three-fourths of Profit for year ending 31st December 1903	£3,750
One-quarter of Profit for the year ending 31st December 1904	1,750
	£5,500

These are not hypothetical cases, but describe the various ways in which assessments have been made within my own knowledge.

Yours faithfully,

12th February 1907. PRECISE.

Income Tax—Land Speculation.

(To the Editor of The Accountant.)

SIR,—We have a client, an architect, who, having bought an estate, is gradually selling plots for building purposes. Some of it will probably remain on hand for years.

The Surveyor of Taxes requires us to place a value on what is left. This, we contend, is not fair or possible until sold, and we offer to account for all sales so that as and when the sales reach the cost price of the estate the profit may be assessed.

I shall be glad to hear your views on this technical point.

Yours faithfully,

7th February 1907. J. A. S.

[It is not clear that the architect is making an assessable profit; it may be a casual profit on Capital Account, and as such not assessable. Assuming, however, that the eventual profit would be assessable, the contention of the Surveyor seems quite reasonable and only following the course which a Land Development Company would do in making up their accounts.—R. N. CARTER, F.C.A.]

Check-Figure Systems.

(*To the Editor of The Accountant.*)

SIR,—I was considerably interested in the correspondence which appeared in your columns some months back on the above subject, and after selecting the system which I judged to be the most suitable for the purpose, I determined to put it to a practical test.

For the past six months I have had the "13" system applied to the books of a small business by the bookkeeper in substitution for the usual checking back of the postings every day, using the reverse code figure for debit and credit postings, and it may possibly be of interest to your readers to hear that the trial has been so successful that a further and more exhaustive trial is to be entered upon.

A record has been kept of all errors which have been brought to light by its use, at least a dozen errors, either in additions or postings, having been revealed. Curiously enough, however, the Trial Balance would not agree, the difference being exactly £2 12s., the check-figure of which is "0." This at once suggested an error in addition, with the result that an error of £2 12s. was speedily discovered to have been made in adding up the Discounts column of the Cash Book. This example shows the only real danger in using the system which I have yet noticed, because if the check-figure of the difference had been anything but "0" it would have been revealed in proving the page in the Cash Book on which it was made.

At the end of the next period the system is to be applied to the extraction of the Ledger balances, a development it was not worth trying at the end of the last period because the Ledgers had not been balanced off and the balances brought down with the check-figure inserted alongside as the basis for proving the addition of the Ledger Accounts.

I may say that the check-figures are calculated quite as rapidly as the item is written in the Ledger, and the time occupied in posting it back to the subsidiary book is quite negligible, and the additions to prove the additions page by page are quickly done. In fact, unless there are many items which contain three or more figures in the pounds, the time occupied is much less than would be required to call the items back. There is, however, a greater liability to make mistakes in calculating the check-figure when the items contain so many figures, so that I do not recommend anyone to try it where such is the case.

Yours faithfully,

STEWART GREEN.

Sheffield, February 12th 1907.

Registration for the Profession.

(*To the Editor of The Accountant.*)

SIR,—Now that the "fancy title" of Incorporated Accountant is assured to the members of the Society of Accountants and Auditors, might not an advance be made towards the promotion of a Bill for registration on the following basis?

(1) All persons in practice as accountants or auditors shall register under one of the following classes:—

A. Chartered Accountants.

B. Incorporated Accountants.

C. Public Accountants.

(2) Those registering under Classes A and B must be members of the Institute (for Class A) and of the Society (for Class B), and none shall be admitted a member of either body without qualification by examination.

(3) No person shall register under Class C, unless he can prove he has been continuously in practice as a public accountant or auditor for (say) two years prior to the opening of the Register.

(4) Admission to the Register shall be made by an Accountants' Board composed of an equal number of representatives of the three classes.

(5) The Board shall have power to impose the same discipline on all members of the profession.

Yours faithfully,

HERBERT A. COX.

London, February 12th 1907.

Surrender of Shares.

(*To the Editor of The Accountant.*)

SIR,—The first year's trading of a limited liability company having resulted in a heavy loss consequent upon the depreciation of the stock-in-trade taken over by the company at its inception, the vendor has agreed to the cancellation of shares to the extent of those allotted to him, in consideration of the sale to the company of the before-mentioned stock.

Can a modification of the original contract for purchase be now filed, or would the arrangement be regarded as a reduction of capital within the meaning of the Companies Acts?

Yours truly,

ALPHA.

The Audit of the First Balance Sheet of a Limited Company.

(*To the Editor of The Accountant.*)

SIR,—With reference to the article in last week's issue of *The Accountant* commenting on the statement made by Mr. Mitchell that the effect of Section 8 of the Companies Act, 1900, is to permit the issue of a company's shares at a discount, I do not feel quite clear as to why this should not be so. Subsection 1 of Section 8 states that it shall be lawful for a company to pay a commission to any person in consideration of his subscribing or agreeing to subscribe for any shares in the company, if the payment of the commission and the rate per cent. thereof are authorised by the articles and disclosed in the prospectus; therefore, if a company, in making an issue of shares to the public, has authorised by its articles the payment of a commission to any person in consideration of his subscribing for any shares in the company, and discloses the same in its prospectus, it would not be illegal for the company to allow or pay such commission to all persons who send in applications for shares.

It seems to me that this would be practically equivalent to an offer of shares at a discount, which, however, is illegal. I should be glad if you could make this point clear.

Yours faithfully,

C. H. B.

Obituary.

William Gethen Howgrave.

We very much regret to record the death of Mr. W. G. Howgrave, who will be well remembered as the late Secretary of the Institute of Chartered Accountants. The deceased had since his retirement from the Institute lived mostly in the south of France, and his death took place suddenly at Pau on the 5th inst., from œdemia. Deceased succeeded Mr. Thomas A. Welton as Secretary of the old Institute of Accountants, and acted as Secretary of the present Institute from the date of the Charter in 1880 up to the year 1899, when he retired on a pension. He acted as President of the Institute of Secretaries in 1897-8.

Chartered Accountants' Lodge, No. 3162.

A Regular Meeting of the Chartered Accountants' Lodge, No. 3162, was held at the Gaiety Restaurant, Strand, W.C., on Wednesday the 6th February 1907.

The following members were present:—Messrs. W. Plender, W.M.; J. W. Woodthorpe, S.W.; H. Woodburn Kirby, Treasurer; Charles Fox, Secretary; G. Sneath, S.D.; A. H. Gibson, J.D.; Thos. Bowden, W. Hardy King, Edward Moore, Charles Eves, P. W. Strauss, A. Duncan Barber, C. F. Cape, J. B. Woodthorpe, Geoffrey Bostock, J. W. Barratt, T. E. Shuttleworth, F. Lindsay Fisher, Herbert J. Page, and Ernest Winn, and the following visitors:—Messrs. John Stevenson, A. G. West, A. W. Weston, A. H. Lindo.

Mr. J. W. Woodthorpe, S.W., was elected to fill the office of Master of the Lodge for the ensuing year, and Mr. H. Woodburn Kirby, Treasurer.

After the regular business of the Lodge was concluded the members adjourned and dined together in one of the spacious rooms of the Gaiety Restaurant, where Mr. W. Plender, the Master of the Lodge, presided.

The next meeting of the Lodge will be held on the first Wednesday in May next, at which the Master Elect will be installed as W.M., and will appoint the various officers to assist him in the work.

Review.

The Central Association of Accountants' List of Members, &c.

London, 1907: 65 London Wall, E.C. Price 3s. 6d.

The volume now before us comprises alphabetical and topographical lists of members, together with a summary (which follows the bad practice of certain other institutions, in that it is unadded), to which are appended copies of the memorandum and articles of association of the undertaking, its bye-laws and regulations, the Balance Sheet as on th

30th June 1906 (which shows accumulated funds amounting to £135 16s.), the examination papers set in June last, a couple of lectures dealing respectively with the Elements of Law relating to Executors and Administrators, and the Companies Acts, 1862-1900, together with a prize essay on "Irregularities in Accounts, and the best Methods for the Detection and Prevention thereof"; to which are appended the Accounts of the Association's Benevolent Fund (which already amounts to £23 11s. 6d.), regulations relating to the library, and a catalogue of the library itself. All this heterogeneous matter bound up in a single volume naturally produces an appearance of considerable substance, but if we turn from quantity to quality we must confess that upon looking through the list of members we have been unable to observe a single name that was already known to us. We doubt whether more than 10 per cent. of those whose names are included in this book could be accurately described as being *bonâ fide* practising accountants, yet the Association claims no less than 241 members in London alone.

Personal.

MR. JOHN C. BOLTON, Incorporated Accountant, has commenced practice at 6 Birley Street, Blackpool.

MR. COOPER CORBIDGE, F.C.A., announces that the firm of CAMM, CORBIDGE & METCALFE, Chartered Accountants, 17 Bank Street, Sheffield, and 19A Coleman Street, London, having come to an end, he will continue to practise, in conjunction with his son WILLIAM GILLING CORBIDGE, A.C.A., at new offices at 19A Coleman Street, London, and at the Royal Insurance Buildings, Church Street, Sheffield. The style of the new firm will be COOPER, CORBIDGE, SON & Co., Chartered Accountants.

MR. ROBERT GAIR, Incorporated Accountant, has removed from 18 Grainger Street to 19 Pilgrim Street, Newcastle-on-Tyne.

MR. BERNARD HENNELL, Chartered Accountant, who has been in the employ of Messrs. H. F. KNIGHT & Co., Chartered Accountants, of 17 & 18 Devonshire Chambers, Bishopsgate Street Without, E.C., for the past ten years, announces that he has commenced to practise at 10 Old Jewry Chambers, E.C.

MR. CHARLES H. MCPHERSON, of the firm of MCPHERSON, TIMMINS & Co., Chartered Accountants, 109 Colmore Row, -mingham, has been appointed a Public Auditor under the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893, for the Birmingham district.

MESSRS. MEUGENS, KING & SIMSON, Chartered Accountants, Calcutta, announce that they have opened a branch office in the Punjab, at Lahore, under the management of Mr. GORDON NEISON, A.C.A., a partner in the firm.

MR. G. G. POPPLETON, J.P., C.C., of the firm of POPPLETON & APPLEBY, of London, Birmingham, and Sheffield, has been appointed a Land Tax Commissioner for the County of Worcester, under the Land Tax Commissioners Act, 1906.

MR. WALTER R. RAWLINSON, Scottish Provident Buildings, Belfast, who is a member of the Institute of Chartered Accountants in England and Wales, has been admitted to membership of the Institute of Chartered Accountants in Ireland as an Associate in Practice.

Meetings for the ensuing Week.

Tuesday—ROYAL STATISTICAL SOCIETY.—Paper, "Statistics of Production and the Census of Production Act (1906)," by Mr. G. Udny Yule, at the Society's Rooms, 9 Adelphi Terrace, Strand, W.C.; 5 p.m.

Wednesday—LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY.—Lecture, "A Summary of the Principal Legal Decisions Affecting Auditors," by Mr. Hugh G. Cocke, A.C.A., at the Hall of the Institute, Moorgate Place, E.C.; 6 p.m.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Bank of England and the Money Market," by Mr. G. I. H. Lloyd, at the Library, Hoole's Chambers, Bank Street; 6.45 p.m.

Thursday—LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Mock Meeting of Creditors (Mr. R. A. Chadwick, Solicitor, will represent the Debtor) at the Law Institution, Albion Place, 6.30 p.m.

GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Fee and Life-rent and Appropriation," by Mr. J. A. Todd, B.L.

Friday—BRISTOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Preparation of Accountants' Certificates for Purposes of Joint Stock Companies' Flotations," by Mr. A. F. Dodd, F.C.A., at the Library of the Society, Albion Chambers, Bristol; 5.30 p.m.

Hotel Accounting.

By F. W. Lafrentz, C.P.A.

An address delivered before the students of the New York University School of Commerce, Accounts, and Finance.

The accountant who wants to do hotel work must get into the thick of it and learn the hotel business from the ground up. When you come to put in a system for a large establishment, if the men who are assigned to the duties of heads of departments are in the least fractious, and for one cause or another do not want your plan to succeed, you may be under the necessity of doing the work yourself. So, I say, a person in order to make a success of this and, I presume, of any accounting work, really must first of all study the conditions. It stands to reason that you cannot lay down a system that will fit every case. For instance, for the purpose of checking out the sales of food through the kitchen you must know the physical lay-out of that kitchen in order to know what to do to get a line on all the things that are passing out of it.

There are two kinds of hotels now in this country, those conducted on the European plan and those on the American plan. The American plan house is, of course, a comparatively simple matter, because whoever is in charge of the restaurant end of it knows how many guests there are in the house and knows how many he must provide for, and can buy accordingly. The European plan house, that in which you pay just for what you get and nothing more, must keep in stock everything a guest may call for. So you see the two are entirely different in character. Very often houses run both plans, the American and the European, and, of course, you must fit a system to that condition. It is very difficult at times for a hotel to keep track of its guests when run on the two plans. I have seen places where they make the division by having coloured waiters for the American plan and white for the European plan guests. And there lay the distinction as far as the two kitchens were concerned.

Recollect that the hotel business is one of infinite detail. If a check signed by a guest is lost you have trouble. It is a good deal like a bank check. You can only get the money when you produce the article. On the other hand, waiters in big hotels very often manage to obtain checks on the outside, checks that do not belong and are not dealt out by the comptroller of the hotel, and if they do that they may swindle the hotel out of a lot of money before they are found out.

The main difficulty, of course, is in the sales end, the purchase end being more readily taken care of. If you are not careful the receiving clerk will be placed under the charge of the steward, which is wrong. The receiving clerk should be directly responsible to the main office. If your order system is a proper one, and any order system will do so long as you have a record, you will have very little trouble if you insist that no goods shall be received by the receiving clerk without the bill accompanying the goods. I do not mean that you should make that rule hard and fast, because there may be times when you want the goods, bill or no bill.

The receiving clerk keeps a book called the "Receiving Clerk's Book," in which he puts down the name of the firm or corporation from whom the purchase has been made, and the amount of the invoice. When there is no bill with the goods he enters the goods in detail, so that when the bill does come in he may check it with his Receiving Book. Where the plant is very large, there are separate receiving clerks for the merchandise which is used in the kitchen and for the cigars and wines, because one man is unable to attend to both. At the end of the day the receiving clerk foots up his Receiving Book and makes a statement of the goods received, so far as totals are concerned. He attaches to that statement all of the invoices with his stamp on each, which means that the goods have been received and put into the storeroom, and gets the purchasing agent's initials as to price. All these goods are treated as though they had been put into a store, so that when the statement goes up to the head office, to the Purchase Journal clerk, he makes his entries from the bills and produces a statement of totals which is handed to the head bookkeeper.

On this statement you will find the headings of the Purchase Journal. In other words he makes a distribution of his bills on his Purchase Journal, which is a columnar journal, ruled according to what you want to show. There must be agreement between the storeroom and Purchase Journal statements. At the end of the month we get a total from the receiving clerk that must agree with the Purchase Journal clerk's record, so far as the purchase of stores is concerned.

By a similar process to that which we employ in getting the goods into the storeroom, we get them out, that is, by means of a statement. At the end of the day we know the receipts from every department. We also know the cost of production, because everything that has been used in the kitchen or elsewhere has been reported from their various sources. All these records are gathered up and sent daily to the head bookkeeper, who has the means of entering upon his books what is necessary to produce the profit and loss and assets and liabilities statements.

We have also a system of checks by means of the bills of purchases by guests. The bills are usually made by a banknote company, so that they cannot be duplicated without great difficulty, and are numerically arranged. They bear the waiter's number and are handed out to the waiters and to those who are in charge of sales of all kinds, just as money

is handed out. For that purpose we have a comptroller, meaning, in this case, merely a man to control the sales. He sees to it that all the checks that are received by him are safely stored until wanted, that they are given out to those entitled to them, and that a record of the numbers is made, so that if a check is missing, he can put his finger on the man who should account for it. In addition, we have checkers sitting at the entrance to the various places out of which these sales are made. As a waiter passes with a tray full of articles, he must first of all present himself to one of these checkers and show what his check calls for. The checker puts under that waiter's number the amount of the article he is taking out and also stamps the same amount opposite that item on the waiter's check. The large checkers' sheets are taken by the comptroller the next day and every check is compared with that sheet to see that they correspond one with the other. If there are any missing items or checks, the waiter has to pay that amount or produce the check.

Each department has a cashier. If a guest pays for his purchase the cashier takes the amount and enters it in a Counter Book. If it is cash it is entered on the one side and a division made of the sale as to what it covers—food, wine, cigars, and so on. If it is a charge sale, it is entered on the other side and the purchaser's name put alongside of it. Two of these books are used alternately, one one day and another the next. Every other day the comptroller gets this book, foots it up and balances with the checks which are independently controlled by adding machines and otherwise. Then the business by departments, all of which is reported immediately on the morning following, is segregated on the basis of the kind of goods that have been sold; so that here you have an uncontrolled report in the first instance of the total amounts received by the departments and the charges by departments. That report goes to the treasurer or head cashier, and each department cashier, having a balance at the beginning of the day, must turn in the amount of money taken in through the day. The treasurer knows how much has been received by each cashier according to the comptroller's report, and should enter on his books the amounts called for by the comptroller, not the actual amounts turned in by the cashiers. This is contrary, to be sure, to the general rule of accounting, that the actual cash received rather than the comptroller's statement should be entered. In this case, however, it would throw everything upside-down if we followed the usual rule, because the comptroller analyses the sales, and it would be necessary to make a deduction here or there in order to square the cash, if it were over or short. What we do is to create an "Over and Short Account" upon the Ledger, in which we put down each day, item for item, the amount over or short by the several people in charge of cash. If a person is always over or always short, he is not wanted. However, you must insist upon having the truth if you can get it. I do not mean to say that you always can get it.

The front office cashiers are treated in like manner. They have to report overs and shorts. There used to be a time when the proprietor said, "if you are over I want the money, and if you are short I want the money." We maintain that such a rule produces dishonesty. If he is over, let him turn it over. If he is short and it is an honest shortage, let it offset the "over" account. It stands to reason that a man working on a salary cannot make up large losses, if honestly made, and he will find a way of getting them back again. If he cannot get it out of the house he will get it out of the customer by making short change in changing bills.

The comptroller keeps a very large sheet, though it is not larger than it needs to be if you have a number of departments, in which he enters daily, first of all the amount of departments and then the segregated accounts of sales. On each side of the sheet are the days, numbered from 1 to 31; at the top is simply the date, month, and year, so that this one page will run a month. It is designed to take in the previous month's totals and to give a grand total for the period, and therefore runs a year at a time. It is taken by the auditors, and from it the verification of the General Ledger is made.

One of the most important parts of the hotel is the room clerk division. The room clerk should know at any time what rooms are occupied, what rooms will be vacated during the day, and what rooms have been reserved. At the end of the day a night shift is put on and a night auditor with them. The night auditor goes over the room rack and makes up the room record, which is arranged numerically and gives the total capacity of the house. Opposite each room number, where the room is occupied, is placed the price at which it has been let; so that he can, at the end of the day, make up a statement for the house for that day. That statement comes to the head bookkeeper. It comes to the comptroller and along with it he receives a report of the housekeeper, also numerically arranged and by floors, showing what rooms are occupied. That method prevents sleepers from crawling in. Very often guests leave and, if the management is not watchful, the rooms are allowed to be left vacant because they are thought to be occupied.

The carriage, laundry, newspaper, theatre ticket business, and everything else of the kind is run on the same general plan. People very often buy such things as newspapers and have them charged up, which makes a great deal of bookkeeping necessary.

We have seen, therefore, that from the comptroller we obtain a statement of all income for the general books. The

head bookkeeper knows the total income every day just as the comptroller knows it. He gets a statement from the treasurer or cashier of the receipts and the disbursements, similar to the one he gets from the comptroller. The head bookkeeper, you see, is a man to be looked up to. He knows what charges have gone through against accounts of guests, and, as a result, knows the amount to be charged against all accounts receivable. He knows from the front office what payments have been made by guests who have charge accounts. He has the verification from the comptroller. Deducting one from the other, together with the allowances if any, he knows the balance of accounts receivable, which you should find on the Guest Ledger.

I do not not mean to say that you can make this balance come into agreement to a penny in a large business, because a hotel is never at rest. It is unlike any other business in that respect. Any other business that we know anything about, except a railroad, closes down once in a while to find where it stands, but a hotel must keep going. There is always something overlapping. A man comes in at one o'clock in the morning and wants something to eat. If you should take off a balance before or after that, it would be inaccurate. As a rule, the Guest Ledger is a little closer to the situation than the comptroller's record.

The bookkeeper behind the counter has to enter on his Guest Ledger every item that is chargeable to a guest. When the guest wants to depart he has to have a bill ready. If a guest wants his vouchers, they have to be found in the comptroller's office, where they are kept. We have provided in one instance, and with great success, a billing machine. As fast as the charge checks come through the bookkeeper takes them, enters them on his Ledger and makes the bill. In other words, he keeps his bills right up to date, as mercantile houses very often do now, so that the bill is ready for the guest whenever he comes for it. It is a good thing to have the bills ready when the guest is ready to go, because it prevents the accumulation of large accounts receivable on the books. If a bill is not made out when a guest wishes to leave, the Transient Ledger is relieved of that item and it is put into another Ledger. Transient items are entered, where the accounts are alive and the guest has not left the place.

There are many devices covering the entrance of employees into their place of employment. There is one means of keeping a record in the main office which will go with any of these devices. It is always necessary, of course, to have someone charged with the duty of making the contract of employment and of keeping track of the men in and out. Cards are provided, on the back of which is the contract of employment, which is signed by the employee. The card gives the department in which he is to be employed, his number, locker number, occupation, wages he is to receive, date on which he was employed and name of the person authorised to hire. Attached to the card is a stub, on the back of which is the name of the employee, his department and number, and his signature for identification. This card is sent to the paymaster in the head office. He fills out the face of the card, giving the employee's name, date of employment, and salary. At the end of the month, or sooner, if the man or woman is dismissed or retires from employment, the absence of the person is noted on this card; that is again apparently getting the record the wrong way, though, as a matter of fact, it is not. So far as the head office knows, this man is in the employ of the hotel, though he may have left two or three days before; but when he leaves the date of his leaving is marked on the stub, which he must produce in order to get his balance. His time is made up from the time books of the department, in which are noted days of absence, then the absent days and any charges for uniforms or breakages are deducted and a balance struck. When he receives the balance, he receipts for it on the card. Of course, at the end of the month or on such days as regular payments are made pay envelopes are made up and the man can, by producing his credentials, receive his money. All of this is grouped on statements giving the total wages, deductions for uniforms, breakages, absence and cash interim payments, and showing balance to be finally paid on the pay day.

It is better to have accounts with all tradesmen than to employ what is known as the voucher system. We want to know how much we buy from each tradesman, what amount of money we pay, what discounts we get off, and the voucher system does not tell. In addition, we have a Voucher Register so that we record the vouchers, crediting the Voucher Account on our General Ledger. The cashier merely reports the number of vouchers paid, but does not classify his payments.

We have seen how all the departments must report to the head bookkeeper. He is supposed to keep nothing but the General Ledger. That General Ledger is arranged with about twenty or twenty-five different rulings, making, as it were, twenty-five separate Ledgers all bound in one cover. It is so ruled that he can put down daily under the headings what has transpired in each division, and is so arranged that it may be added up and balanced daily, the balance being thrown out into a balance column. The head bookkeeper produces a statement, the first two columns of which show the changes in the General Ledger Accounts during the day. It is a rule to enter all cash transactions in red figures, book entries in black. The next two columns are profit and loss for the period, and the next two columns show the assets and liabilities. The statement is so arranged as to have the assets and liabilities at the top of the sheet and the Profit and Loss Account below for convenience.

The question may arise in your minds as to whether this is an expensive system or not. It is the most economical to be found. It necessitates keeping every department and every book up to date. If there is a laggard, he is found out at once. If there is an error, it is found out at once, not thirty days or six months later, when the information is of no use. Even for the largest houses three or four men will do all the work, including the treasurer's business in the main office. It is the system, the inevitable thing to be done every day, that makes it a success and easy to run, easy to look after; and, of course, it is a pleasure for the proprietor to know how he stands all the time. With a system of this kind, of course, you must take stock periodically to prove the Storeroom Accounts, but you have a check on that stock if you have kept your accounts properly. Out of stocks running up to nearly $100,000 the rule is to come within $200 of the amount at stocktaking; and that stock is taken not only by the parties who have control of it, but by auditors who have nothing to do with the running of the place.

I have not gone into the question of returns of merchandise because you all understand that the entries being the reverse of the receipts of goods, the record is the same as with receipts, except that it is treated on the other side of the account. In regard to the question of allowance to guests, which is sometimes important, I may add that allowances of every kind must be made by the management. A record of the item is made in an Allowance Book, which is initialled by the manager or proprietor.

(*Journal of Accountancy*, N.Y.)

Factory Accounting as applied to Machine Shops.—VI.

By John Whitmore.

It may be taken for granted that one of the chief ends to be striven for in the organisation of a factory is the perfect co-ordination of the work of the several departments so that friction, in its simplest sense, may be eliminated. It has, perhaps, been made plain that in order to achieve this not merely mutual goodwill is necessary, but a strong effort at mutual understanding, and the careful working out of inter-departmental routine. These three requisites are perhaps most often created in exactly the reverse of the order stated. If the relations between the departments are properly established, mutual understanding and helpfulness, and the sense of a common effort, should inevitably follow.

The principle that cordial co-operation is a great gain is doubtless universally recognised. Its application so far would probably be undisputed. The question to be broached and a little considered here is whether it is not of equally unrestricted application when the co-operation is that between employer and employed, or whether it ceases to be applicable because interests are no longer the same, but are conflicting.

There is no doubt that the interests of employer and employed are identical to this extent: that waste, if it goes far enough, will be fatal to both, and that it is impossible to be sure that any waste injures only the one, or only the other. The conflict must be assumed to come in the division of the return secured by employer and employed —by the capital of the former, and the labour of both, in combination—and not to be as to the common desirability that the return available for division shall be as large as possible. But, under modern factory conditions, can the two matters ever be separate? Will the total return to employer and employed ever be the same with one scale and system of wages as with another?

There is nothing new in the proposition that larger profits to capital may be secured by paying higher wages. The contention is at the basis of every premium or bonus or profit-sharing system. It is possible, perhaps, to take the narrow view that such plans are a coaxing of a somewhat refractory element to do its best. The broader view is that first the stirring of ambition and hope, and ultimately changed physical conditions, make possible good work which otherwise was not possible.

Again, no employer believes that it is desirable for wages to fall below a certain point, at the lowest the point at which it is possible for the labourer to maintain a certain physical efficiency. If the work to be done is purely physical, and if there is no better and no worse to it, and if its quantity can be ensured, there is an apparent gain in paying no higher wages than will suffice to the end stated. Moral considerations have, however, some standing, else one might urge the supreme economy of stealing one's raw materials if one could only find out a way to do it safely. There is, indeed, a close parallel between the underpayment of labour and stealing, inasmuch as in each there is or may be a material gain made for oneself at the cost of a measure of destruction probably both material and moral to others.

There is a very general, perhaps a universal, recognition on the part of employers that the fullness of value received for wages paid increases as the wages rise. It troubles no employer if he lose men to whom the lowest wages are paid. Concerning men to whom high wages are paid there is a feeling that they are valuable, that one cannot afford to lose them. Where the highest salaries are paid there is not

infrequently so keen a sense of the profit to the employer that he insures the life of the employee. It may be said that one is indifferent about losing the cheaper labour because it can be most readily replaced, but that is only another aspect of the fact that it is the least profitable labour to buy.

The wages that can be paid to any man are obviously limited by two conditions: first, the opportunity for valuable work in the position held; and second, the ability of the man to avail himself of the opportunity And nothing in the whole matter seems clearer than that the higher the wages that are justified and paid, the greater the profit to both employer and employed.

Modern factory conditions, including the high value of the machinery employed, and the constant improvements in processes resulting in constantly new situations, in each of which new opportunities for further improvements still are discovered, and the mutual dependence of all departments and all workmen because of the specialisation of labour, these seem to open up to almost or quite everyone engaged in manufacturing operations an incomparably greater range than formerly of responsibilities and possibilities of usefulness. These possibilities of usefulness depend, however, for anything like a full development of them upon an able and wise organisation. The work of organisation includes the taking stock of the resources at one's command and planning the fullest use of them all. One of these resources is likely to be cash and another the intelligence of employees, and the organisation is imperfect which allows either of these to be unused or only partially used when the need for their full use exists.

The existence of unused resources in the intelligence of subordinate employees in factories has been of later years recognised to a considerable extent, and hence the not uncommon standing offers of prizes to workmen for suggestions which prove of value. The idea is undoubtedly a sound one; the method of giving it effect impresses one as elementary. The appeal is certainly a simple one; the response, according to all accounts, is always, or almost always, worth while.

Without questioning the stimulus given by the opportunity to earn more money, it may be confidently said that it is not of itself adequate to the securing of the desired end. It may be even doubted whether this appeal constitutes the right starting point in the matter. The fullest response is likely to come where more is first asked of men, not in volume of physical labour, but in thoughtfulness and judgment and the sharing of responsibilities. Out of the attitude so created the maximum physical effort comes naturally. And upon the full exercise of all a workman's abilities there must follow an adequate rise in his wages, and as an element in this, and perhaps a very important one, there may be included a constant adjustment of the wages paid upon the basis of certain results produced.

If a superintendent of a shop were to single out one workman of average ability, and develop a practice of talking over the shop problems with him, giving and asking opinions, such a workman probably ninety-nine times out of one hundred would respond warmly, and would presently be observing and considering more carefully, and forming new judgments and freely communicating them. It is worth while to consider whether such an effect could be created, not in relation to a single workman, but in relation to the whole of a force of workmen. Such a result must always depend to a great degree upon the largeness and saneness of mind possessed by superintendents and foremen, but this is a spirit that may be either developed or discouraged, and one favourable condition will have been created if the principle of appealing to the thoughtfulness and judgment of the individual workman can in some way be incorporated in the shop routine.

Inasmuch, however, as no feature of the shop organisation which involves the relations between management and workmen, or employer and employed, can remain unaffected by the wage system, it will be well to consider this before arriving at any conclusions.

The commonest wage system in machine shops is doubtless the piece-work system. That paying according to the quantity of work done results in all or almost all workmen doing more than they do under a system of straight day wages is abundantly plain. Its adoption, too, has doubtless been favoured by the fact that there is nothing complex in the idea or in the clerical work necessitated. The operation of the piece-work system in most shops is indeed too simple and does not include the painstaking necessary to either the fullest justice or effectiveness. There is often a failure to appreciate the time required to set the rates intelligently, and consequently the staff assigned to this work is inadequate. If rates are hastily set they may be too low and the workman has just grounds for protesting, and is then perhaps in many instances allowed his time rate, or they may be too high, and reductions follow. The commonest condition is that workmen come to recognise that if their earnings under any piece price are high the piece price will be lower thereafter, and output is likely to be regulated so as not to bring about reductions in the prices. The simplest remedy for these great defects would seem to be to set the piece prices after sufficiently careful calculation of the time occupied, and then to make them unchangeable for a considerable period, unless, of course, a process should be changed, and finally when the time comes for revision to make only absolutely necessary changes and with such liberality as would ensure the assent of reasonable men.

An obvious shortcoming in the ordinary piece-rate system is that it makes no distinction as to the time required on a job. That is, the labour value is taken to be the same whether the machine cost is increased or decreased by the workman being quicker or slower. This shortcoming, with others in ordinary piece-rate systems, was dealt with and probably overcome in what is known as the differential piece-rate system invented a number of years ago by Mr. F. W. Taylor, of Bethlehem, Pa. Under this system the piece prices are set with great care, being upon careful observations of the time required for each element of the job, and then the price is varied according to the time taken, the highest price being paid for the quickest work, or, in other words, the labour value being taken as highest when the machine cost is kept at its lowest. Of course, whenever time consumed on the respective jobs is affecting the day's wages, efficient inspection is especially necessary, prices being set for good work and not for bad work.

The second widely used plan of paying machine shop labour is the premium plan. This plan also was invented many years ago, and has doubtless been infinitely varied in actual use. The original idea was to fix a reasonable average time for each job, and to pay the workman his hourly rate for the time spent on the job, and if the time consumed was less than the time set, to give the workman part of his wages for the time not consumed. If time is set no higher than would be taken without the premium feature of the wages the gain to the employer is twofold: first, a lower labour cost; and second, a lower machine cost. The gain to the workman is everything paid to him as premium, inasmuch as his hourly rate is undisturbed.

The fact that under the premium plan the hourly rate is undisturbed is the essential difference between the piece-work plan and the premium plan, and I believe the difference is decidedly in favour of the premium plan. The responsibility is fairly placed upon the employer of paying a man the wage rate that properly belongs to his work or of dismissing him as unsatisfactory. The employer must assume this responsibility or suffer loss. If a poor workman earns low piece-rate wages, and the matter is assumed to be all right because the wages correspond to the work done, the cost of the work is likely to remain very high because of the undue amount of machine expense,

In considering the value of labour in the various processes it is plain that the hourly machine costs are among the fundamental data. These costs are like money handled by the workmen carefully or carelessly, and foremost among the responsibilities of machine shop workmen is the efficient stewardship of these values. It is probable that very many, and possibly the great majority of machinists would feel a quickening of interest and of the managing aculty if they merely knew the hourly expense, operated and idle, of the machines they are running. If this knowledge gave them an added sense of the value of their work in economising machine time so much the better, and so wherever pertinent knowledge can be put in the place of ignorance.

Of course, the pre-requisite in the matter of establishing a standard of economy in regard to machine time is such shop and commercial organisation as shall ensure that the job and the materials and the tools shall be promptly furnished to the machine operator when he is ready for them. To this end is the storehouse organisation, and the tool-room organisation, and the shop management.

The shop management which provides for the continuous operation of each machine is of the utmost importance. It would probably be, not an extravagance, but an economy to employ the necessary clerical labour in order to keep an account for each machine, entering the calculated time of every job ahead and offsetting the same time as each job is completed, so that the record would continuously show how many hours' work was provided in advance for each machine. The times fixed for the purpose of the premium payments would be available for such a record, and the work ahead for each machine could be regarded as subject to a deduction equal to the average gain of time upon which premiums are being paid. If the piece-work system were being used the time records in connection with the piece-work could be made available.

The following quotation from an article by Mr. John Ashford, entitled "The Tool Room and its Functions," which appeared in the *Engineering Magazine* of August 1904, has an important bearing upon the matters now being dealt with: "That a given piece of work may be machined in the "best and cheapest way, thought must be given to it, and "a series of operations fixed upon that seem the best, having "due regard to the machines and tools available. This "matter is often left to the foreman of a shop who, with his "multifarious duties, cannot be expected to give adequate "attention to it; neither can he mentally retain the par-"ticulars of processes and tools for a multitude of jobs, nor "—for want of time even if he had the memory—can he "impart them in detail to the men. It is therefore "advisable for the operations to be placed beforehand "by the tool draughtsman in conjunction with the works "manager, and when fixed upon these operations, together "with references to the tools, should be recorded in some "permanent manner. . . . The operations when fixed "upon can be noted, when possible, upon the drawing of "the work to be made, but where too lengthy it can be "typewritten and mounted upon cards."

The principle of appealing to the thoughtfulness and judgment of the individual workmen would be incorporated in the shop routine if space were provided on every such list of operations for suggestions of the machinist doing them

as to any changes that he believes would be advantageous. The permanence given to the piece rates or time allowances, in accordance with which, unless a process were radically changed, rate or time would remain undisturbed throughout a certain period, would ensure to a workman making a time saving suggestion the benefit in his wages. If such a suggestion resulted in a new piece rate or time allowance being set, another method of compensation might be arranged. Even if in some cases the direct benefit might go to the employer only, it could never do so at any expense to the employee, for that could not in justice be permitted. On the other hand, the direct benefit would almost always be common to both, and the sense of common interest and of the working together of managers and subordinates, and personal pride which is so often stronger than the desire of gain, would all tend to develop in the workmen the utmost anxiousness to justify the hope and belief manifestly placed in them.

It is not the intention here, it has not been the intention anywhere in these articles to lay down cut and dried plans, but only to suggest and illustrate principles. If the principle of making available the knowledge and the judgment of every employee for the purpose of bettering processes and organisation were established, the ways of making it effective would gradually unfold themselves. In its full development it might almost accomplish the elimination of waste in factory operations which otherwise seems hopeless. For there is no waste but falls under someone's eye, and no difficulty but someone knows of it, and probably there is no man but sees something which others fail to see. It needs only wise organisation to open this great field for advantageous working together to all who are engaged in productive operations. Wise organisation would include provision for measuring values with all possible accuracy, and especially labour values, and for paying increasing wages as services increased in value. Under such conditions high wages would be the surest means of obtaining a minimum cost of production.

There is in all productive operations a law of increasing and decreasing return whose workings are only followed by means of constant and patient analysis. When such analysis is applied to the complexities of modern manufacture, innumerable losses are found constantly eating into profits otherwise made. When the problem of eliminating such losses is considered it is plainly seen that the essential need is the organising of every resource of brain and active interest, and the constant building up and co-ordinating of every human efficiency. In such a process wages would inevitably rise, for high wages are both a cause and an effect of high efficiency, as low wages are both a cause and an effect of low efficiency. In such a process also the supposed antagonism between labour and capital might give way to a sense of common interest and common achievement.

(*The Journal of Accountancy*, N.Y.)

Public Trustee Act, 1906.

(6 Edw. 7, Ch. 55.)

An Act to provide for the appointment of a public trustee and to amend the law relating to the administration of trusts. [21st December 1906.]

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Establishment of Public Trustee.

1.—(1) There shall be established the office of public trustee.

(2) The public trustee shall be a corporation sole under that name, with perpetual succession and an official seal, and may sue and be sued under the above name like any other corporation sole, but any instruments sealed by him shall not, by reason of his using a seal, be rendered liable to a higher stamp duty than if he were an individual.

Powers and Duties of Public Trustee.

2.—(1) Subject to and in accordance with the provisions of this Act and rules made thereunder, the public trustee may, if he thinks fit—

(*a*) act in the administration of estates of small value;

(*b*) act as custodian trustee;

(*c*) act as an ordinary trustee;

(*d*) be appointed to be a judicial trustee;

(*e*) be appointed to be the administrator of the property of a convict under the Forfeiture Act, 1870.

(2) Subject to the provisions of this Act, and to the rules made thereunder, the public trustee may act either alone or jointly with any person or body of persons in any capacity to which he may be appointed in pursuance of this Act, and shall have all the same powers, duties, and liabilities, and be entitled to the same rights and immunities and be subject to the control and orders of the Court, as a private trustee acting in the same capacity.

(3) The public trustee may decline, either absolutely or except on the prescribed conditions, to accept any trust, but he shall not decline to accept any trust on the ground only of the small value of the trust property.

(4) The public trustee shall not accept any trust which involves the management or carrying on of any business, except in the cases in which he may be authorised to do so by rules made under this Act, nor any trust under a deed of arrangement for the benefit of creditors, nor the administration of any estate known or believed by him to be insolvent.

(5) The public trustee shall not accept any trust exclusively for religious or charitable purposes, and nothing in this Act contained, or in the rules to be made under the powers in this Act contained, shall abridge or affect the powers or duties of the official trustee of charity lands or official trustees of charitable funds.

(1) *In the Administration of Small Estates.*

3.—(1) Any person who in the opinion of the public trustee would be entitled to apply to the Court for an order for the administration by the Court of an estate, the gross capital value whereof is proved to the satisfaction of the public trustee to be less than one thousand pounds, may apply to the public trustee to administer the estate, and, where any such application is made and it appears to the public trustee that the persons beneficially entitled are persons of small means, the public trustee shall administer the estate, unless he sees good reason for refusing to do so.

(2) On the public trustee undertaking, by declaration in writing signed and sealed by him, to administer the estate the trust property other than stock shall, by virtue of this Act, vest in him, and the right to transfer or call for the transfer of any stock forming part of the estate shall also vest in him, in like manner as if vesting orders had been made for the purpose by the High Court under the Trustee Act, 1893, and that Act shall apply accordingly. As from such vesting any trustee entitled under the trust to administer the estate shall be discharged from all liability attaching to the administration, except in respect of past Acts:

Provided that—

(*a*) the public trustee shall not exercise the right of himself transferring the stock without the leave of the Court; and

(*b*) this sub-section shall not apply to any copyhold land forming part of the estate, but the public trustee shall, as respects such land, have the like powers as if he had been appointed by the Court under Section 33 of the Trustee Act, 1893, to convey the land, and Section 34 of that Act shall apply accordingly.

(3) For the purposes of the administration the public trustee may exercise such of the administrative powers and authorities of the High Court as may be conferred on him by rules under this Act, subject to such conditions as may be imposed by the rules.

(4) Rules shall be made under this Act for enabling the public trustee to take the opinion of the High Court on any question arising in the course of any administration without judicial proceedings, and otherwise for making the procedure under this section simple and inexpensive.

(5) Where proceedings have been instituted in any Court for the administration of an estate, and by reason of the small value of the estate it appears to the Court that the estate can be more economically administered by the public trustee than by the Court, or that for any other reason it is expedient that the estate should be administered by the public trustee instead of the Court, the Court may order that the estate shall be administered by the public trustee, and thereupon (subject to any directions by the Court) this section shall apply as if the administration of the estate had been undertaken by the public trustee in pursuance of this section.

(2) *As Custodian Trustee.*

4.—(1) Subject to rules under this Act the public trustee may, if he consents to act as such, and whether or not the number of trustees has been reduced below the original number, be appointed to be custodian trustee of any trust—

(*a*) by order of the Court made on the application of any person on whose application the Court may order the appointment of a new trustee; or

(*b*) by the testator, settlor, or other creator of any trust; or

(*c*) by the person having power to appoint new trustees.

(2) Where the public trustee is appointed to be custodian trustee of any trust—

(*a*) The trust property shall be transferred to the custodian trustee as if he were sole trustee, and for that purpose vesting orders may, where necessary, be made under the Trustee Act, 1893:

(*b*) The management of the trust property and the exercise of any power or discretion exerciseable by the trustees under the trust shall remain vested in the trustees other than the custodian trustee (which trustees are hereinafter referred to as the managing trustees):

(*c*) As between the custodian trustee and the managing trustees, and subject and without prejudice to the rights of any other persons, the custodian trustee shall have the custody of all securities and documents of title relating to the trust property, but the managing trustees shall have free access thereto and be entitled to take copies thereof or extracts therefrom:

(*d*) The custodian trustee shall concur in and perform all acts necessary to enable the managing trustees to exercise their powers of management or any other power or discretion vested in them (including the power to pay money or securities into Court), unless the matter in which he is requested to concur is a breach of trust, or involves a personal liability upon him in respect of calls or otherwise, but, unless he so concurs, the custodian trustee shall not be liable for any act or default on the part of the managing trustees or any of them:

(*e*) All sums payable to or out of the income or capital of the trust property shall be paid to or by the custodian trustee: Provided that the custodian trustee may allow the dividends and other income derived from the trust property to be paid to the managing trustees or to such person as they direct, or into such bank to the credit of such person as they may direct, and in such case shall be exonerated from seeing to the application thereof and shall not be answerable for any loss or misapplication thereof:

(*f*) The power of appointing new trustees, when exerciseable by the trustees, shall be exerciseable by the managing trustees alone, but the custodian trustee shall have the same power of applying to the Court for the appointment of a new trustee as any other trustee:

(*g*) In determining the number of trustees for the purposes of the Trustee Act, 1893, the custodian trustee shall not be reckoned as a trustee:

(*h*) The custodian trustee, if he acts in good faith, shall not be liable for accepting as correct and acting upon the faith of any written statement by the managing trustees as to any birth, death, marriage, or other matter of pedigree or relationship, or other matter of fact, upon which the title to the trust property or any part thereof may depend, nor for acting upon any legal advice obtained by the managing trustees independently of the custodian trustee:

(*i*) The Court may, on the application of either the custodian trustee, or any of the managing trustees, or of any beneficiary, and on proof to their satisfaction that it is the general wish of the beneficiaries, or that on other grounds it is expedient, to terminate the custodian trusteeship, make an order for that purpose, and the Court may thereupon make such vesting orders and give such directions as under the circumstances may seem to the Court to be necessary or expedient.

(3) The provisions of this section shall apply in like manner as to the public trustee to any banking or insurance company or other body corporate entitled by rules made under this Act to act as custodian trustee, with power for such company or body corporate to charge and retain or pay out of the trust property fees not exceeding the fees chargeable by the public trustee as custodian trustee.

(3) *As an Ordinary Trustee.*

5.—(1) The public trustee may by that name, or any other sufficient description, be appointed to be trustee of any will or settlement or other instrument creating a trust or to perform any trust or duty belonging to a class which he is authorised by the rules made under this Act to accept, and may be so appointed whether the will or settlement or instrument creating the trust or duty was made or came into operation before or after the passing of this Act, and either as an original or as a new trustee, or as an additional trustee, in the same cases, and in the same manner, and by the same persons or Court, as if he were a private trustee, with this addition, that, though the trustees originally appointed were two or more, the public trustee may be appointed sole trustee.

(2) Where the public trustee has been appointed a trustee of any trust, a co-trustee may retire from the trust under and in accordance with Section 11 of the Trustee Act, 1893, notwithstanding that there are not more than two trustees, and without such consents as are required by that section.

(3) The public trustee shall not be so appointed either as a new or additional trustee where the will, settlement, or other instrument creating the trust or duty contains a direction to the contrary, unless the Court otherwise order.

(4) Notice of any proposed appointment of the public trustee either as a new or additional trustee shall where practicable be given in the prescribed manner to all persons beneficially interested who are resident in the United Kingdom and whose addresses are known to the persons proposing to make the appointment, or, if such beneficiaries are infants, to their guardians, and if any person to whom such notice has been given within twenty-one days from the receipt of the notice applies to the Court, the Court may, if having regard to the interests of all the beneficiaries it considers it expedient to do so, make an order prohibiting the appointment being made, provided that a failure to give any such notice shall not invalidate any appointment made under this section.

6.—(1) If in pursuance of any rule under this Act, the public trustee is authorised to accept by that name probates of wills or letters of administration, the Court having jurisdiction to grant probate of a will or letters of administration may grant such probate or letters to the public trustee by that name, and for that purpose the Court shall consider the public trustee as in law entitled equally with any other person or class of persons to obtain the grant of letters of administration, save that the consent or citation of the public trustee shall not be required for the grant of letters of administration to any other person, and that, as between the public trustee, the widower, widow, or next-of-kin of the deceased, the widower, widow, or next-of-kin shall be preferred, unless for good cause shown to the contrary.

(2) Any executor who has obtained probate or any administrator who has obtained letters of administration, and notwithstanding he has acted in the administration of the deceased's estate, may, with the sanction of the

Court, and after such notice to the persons beneficially interested as the Court may direct, transfer such estate to the public trustee for administration either solely or jointly with the continuing executors or administrator, if any. And the order of the Court sanctioning such transfer shall, subject to the provisions of this Act, give to the public trustee all the powers of such executor and administrator, and such executor and administrator shall not be in any way liable in respect of any act or default in reference to such estate subsequent to the date of such order, other than the act or default of himself or of persons other than himself for whose conduct he is in law responsible.

LIABILITY: OFFICERS AND OFFICES: FEES.

7.—(1) The Consolidated Fund of the United Kingdom shall be liable to make good all sums required to discharge any liability which the public trustee, if he were a private trustee, would be personally liable to discharge, except where the liability is one to which neither the public trustee nor any of his officers has in any way contributed, and which neither he nor any of his officers could by the exercise of reasonable diligence have averted, and in that case the public trustee shall not, nor shall the Consolidated Fund, be subject to any liability.

(2) All sums payable in pursuance of this section out of the Consolidated Fund shall be charged on and issued out of that fund or the growing produce thereof.

8.—(1) The Lord Chancellor shall appoint a fit person to the office of public trustee, who shall hold office during pleasure, and receive such salary or fees, and be appointed on such terms, as the Treasury may determine.

(2) The Lord Chancellor shall appoint such persons to be officers of the public trustee as, subject to the sanction of the Treasury, he may consider necessary for the purposes of this Act, and those officers shall hold office upon such terms, and be remunerated at such rates and in such manner, as the Treasury may sanction.

(3) Any person appointed to be public trustee or an officer of the public trustee may, and shall, if the Treasury so require, be a person already in the public service.

(4) The public trustee shall, if so directed by the Lord Chancellor with the concurrence of the Treasury, maintain offices in London and elsewhere, and, so far as practicable, buildings already used for public purposes shall be used for such offices.

(5) The salary or remuneration of the public trustee and his officers and such other expenses of executing his office or otherwise carrying this Act into effect as may be sanctioned by the Treasury shall be paid out of moneys provided by Parliament.

9.—(1) There shall be charged in respect of the duties of the public trustee such fees, whether by way of percentage or otherwise, as the Treasury with the sanction of the Lord Chancellor may fix, and such fees shall be collected and accounted for by such persons, and in such manner, and shall be paid to such account, as the Treasury direct.

(2) Any expenses which might be retained or paid out of the trust property if the public trustee were a private trustee shall be so retained or paid, and the fees shall be retained or paid in the like manner as and in addition to such expenses.

(3) Such fees shall, under the regulations of the Treasury, be applied as an appropriation in aid of moneys provided by Parliament for expenses under this Act, and so far as not so applied shall be paid into the Exchequer.

(4) The fees under this section shall be arranged from time to time so as to produce an annual amount sufficient to discharge the salaries and other expenses incidental to the working of this Act (including such sum as the Treasury may from time to time determine to be required to insure the Consolidated Fund against loss under this Act) and no more.

(5) The incidence of the fees and expenses under this section as between capital and income shall be determined by the public trustee.

SUPPLEMENTAL PROVISIONS AS TO PUBLIC TRUSTEE.

10.—(1) A person aggrieved by any act or omission or decision of the public trustee in relation to any trust may apply to the Court, and the Court may make such order in the matter as the Court thinks just.

(2) Subject to rules of Court, an application under this section to the High Court shall be made to a Judge of the Chancery Division of the High Court in Chambers.

11.—(1) The public trustee shall not, nor shall any of his officers, act under this Act for reward, except as provided by this Act.

(2) The public trustee may, subject to the rules made under this Act, employ for the purposes of any trust such solicitors, bankers, accountants, and brokers, or other persons as he may consider necessary, and in determining the persons to be so employed in relation to any trust the public trustee shall have regard to the interests of the trust, but subject to this shall, whenever practicable, take into consideration the wishes of the creator of the trust and of the other trustees (if any), and of the beneficiaries, either expressed or as implied by the practice of the creator of the trust, or in the previous management of the trust.

(3) On behalf of the public trustee such person as may be prescribed may take any oath, make any declaration, verify any account, give personal attendance at any Court or place, and do any act or thing whatsoever which the

public trustee is required or authorised to take, make, verify, give, or do: Provided that nothing in this Act or in any rule made under this Act shall confer upon any person not otherwise entitled thereto any right to appear, or act, or be heard in or before any Court or tribunal, on behalf or instead of the public trustee, or to do any act whatsoever on behalf or on the instructions of the public trustee, which could otherwise only be lawfully done by a barrister or a duly certificated solicitor.

(4) Where any bond or security would be required from a private person upon the grant to him of administration, or upon his appointment to act in any capacity, the public trustee, if administration is granted to him or if he is appointed to act in such capacity as aforesaid, shall not be required to give such bond or security, but shall be subject to the same liabilities and duties as if he had given such bond or security.

(5) The entry of the public trustee by that name in the books of a company shall not constitute notice of a trust, and a company shall not be entitled to object to enter the name of the public trustee on its books by reason only that the public trustee is a corporation, and, in dealings with property, the fact that the person or one of the persons dealt with is the public trustee, shall not of itself constitute notice of a trust.

12.—The provisions of this Act with respect to the High Court shall, in their application to cases within the jurisdiction of a palatine Court, include that Court, and the public trustee shall provide an address within the county palatine where service upon him of any proceedings under this Act in such palatine Court may be effected; the rules of Court relating to the exercise of the jurisdiction of a palatine Court under this Act shall be made by the authority having power to make general rules and orders of that Court.

INVESTIGATION AND AUDIT OF TRUST ACCOUNTS.

13.—(1) Subject to rules under this Act and unless the Court otherwise orders, the condition and accounts of any trust shall, on an application being made and notice thereof given in the prescribed manner by any trustee or beneficiary, be investigated and audited by such solicitor or public accountant as may be agreed on by the applicant and the trustees or, in default of agreement, by the public trustee or some person appointed by him:

Provided that (except with the leave of the Court) such an investigation or audit shall not be required within twelve months after any such previous investigation or audit, and that a trustee or beneficiary shall not be appointed under this section to make an investigation or audit.

(2) The person making the investigation or audit (hereinafter called the auditor) shall have a right of access to the books, accounts, and vouchers of the trustees, and to any securities and documents of title held by them on account of the trust, and may require from them such information and explanation as may be necessary for the performance of his duties, and upon the completion of the investigation and audit shall forward to the applicant and to every trustee a copy of the accounts, together with a report thereon, and a certficate signed by him to the effect that the accounts exhibit a true view of the state of the affairs of the trust and that he has had the securities of the trust fund investments produced to and verified by him or (as the case may be) that such accounts are deficient in such respects as may be specified in such certificate.

(3) Every beneficiary under the trust shall, subject to rules under this Act, be entitled at all reasonable times to inspect and take copies of the accounts, report, and certificate, and, at his own expense, to be furnished with copies thereof or extracts therefrom.

(4) The auditor may be removed by order of the Court, and, if any auditor is removed, or resigns, or dies, or becomes bankrupt or incapable of acting before the investigation and audit is completed, a new auditor may be appointed in his place in like manner as the original auditor.

(5) The remuneration of the auditor and the other expenses of the investigation and audit shall be such as may be prescribed by rules under this Act, and shall, unless the public trustee otherwise directs, be borne by the estate; and, in the event of the public trustee so directing, he may order that such expenses be borne by the applicant or by the trustees personally or partly by them and partly by the applicant.

(6) If any person having the custody of any documents to which the auditor has a right of access under this section fails or refuses to allow him to have access thereto or in anywise obstructs the investigation or audit, the auditor may apply to the Court, and thereupon the Court shall make such order as it thinks just.

(7) Subject to rules of Court, applications under or for the purposes of this section to the High Court shall be made to a Judge of the Chancery Division in Chambers.

(8) If any person in any statement of accounts, report, or certificate required for the purposes of this section wilfully makes a statement false in any material particular, he shall be liable on conviction on indictment to imprisonment for a term not exceeding two years, and on summary conviction to imprisonment for a term not exceeding six months, with or without hard labour, and in either case to a fine in lieu of or in addition to such imprisonment

RULES: DEFINITIONS: SHORT TITLE AND EXTENT.

14.—(1) The Lord Chancellor shall, with the concurrence of the Treasury, make rules for carrying into effect the objects of this Act, and in particular for all or any of the following purposes (that is to say):—

(*a*) establishing the office of public trustee and prescribing the trusts or duties he is authorised to accept or undertake, and the security, if any, to be given by the public trustee and his officers:

(*b*) the transfer to and from the public trustee of any property:

(*c*) the accounts to be kept and an audit thereof:

(*d*) the establishment and regulation of any branch office:

(*e*) excluding any trusts from the operation of this Act or any part thereof:

(*f*) the classes of corporate bodies entitled to act as custodian trustees:

(*g*) the form and manner in which notices under this Act shall be given.

(2) Every rule under this Act shall be laid before each House of Parliament forthwith, and, if an address is presented to his Majesty by either House of Parliament, within the next subsequent thirty days on which the House has sat next after any such rule is laid before it, praying that the rule may be annulled, his Majesty in Council may annul the rule, and it shall thenceforth be void, but without prejudice to the validity of anything previously done thereunder.

(3) If the rules require a declaration to be made for any purpose, a person who makes such declaration, knowing the same to be untrue in any material particular, shall be guilty of a misdemeanour.

15.—In this Act, unless the context otherwise requires,—

the expression "Court" means the High Court and, as respects trusts within its jurisdiction, the County Court:

the expression "letters of administration" means letters of administration of the estate and effects of a deceased person, whether general or with a will annexed, or limited either in time or otherwise:

the expression "trust" includes an executorship or administratorship; and the expression "trustee" shall be construed accordingly; and the expression "trust property" shall include all property in the possession or under the control wholly or partly of the public trustee by virtue of any trust:

the expression "private trustee" means a trustee other than the public trustee:

the expression "expenses" includes costs and charges:

the expression "prescribed" means prescribed for the time being by rules under this Act:

other expressions have the same meaning as in the Trustee Act, 1893.

16.—This Act shall come into operation on the first day of January one thousand nine hundred and eight.

17.—(1) This Act may be cited as the Public Trustee Act, 1906.

(2) This Act shall not extend to Ireland or Scotland.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Feb. 8th, was 138, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 71; Deeds of Arrangement registered, 67. The respective numbers in the corresponding week of last year were: Bankruptcies, 97; Deeds of Arrangement, 71—total, 168; being a decrease of 30. The total number of commercial failures recorded during the 6 weeks of the present year is 838; the total number recorded in the corresponding 6 weeks of last year was 988, showing a decrease of 150.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Feb. 8th, was 136. The number in the corresponding week of last year was 173, showing a decrease of 37. The total number filed during the 6 weeks of the present year is 806; the total number filed in the corresponding 6 weeks of last year was 880, showing a decrease of 74.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Feb. 8th, amounted to £1,331,899, by way of addition to £677,893, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,299,506, showing an increase of £32,393. The total amount registered during the 6 weeks of the present year is £10,927,033 (in addition to the issues in previous years by the same companies), as compared with £7,834,570 for the corresponding 6 weeks in 1906, showing an increase of £3,092,463.

The Profession in Scotland.

Society of Chartered Accountants in Edinburgh.

This Society held their annual meeting on the 6th inst., in their hall in Queen Street. Mr. F. W. Carter, President, occupied the chair. There was a good attendance of members. The membership of the Society, including the new members elected at the meeting, amounted to 445. The number of apprentices, &c., qualifying for membership

was 188. In room of Mr. Carter, who had acted for the full term of three years, Mr. James Alexander Robertson-Durham was elected President. The office-bearers elected were:—Secretary and Treasurer, Mr. Richard Brown; members of Council, Messrs. George A. Touche, J. Hamilton Buchanan, Andrew Scott, C. E. W. Macpherson, T. P. Laird, R. F. Cameron, C. J. G. Paterson, J. Campbell Dewar, F. W. Carter, J. Aikman Smith, R. D. Rainie, and J. Maxtone Graham; representatives on the General Examining Board for Chartered Accountants, the President, Messrs. F. W. Carter, D. N. Cotton, John M. Howden, R. Cockburn Millar, and H. Kenward Shiells; Law Agent, Mr. David Wardlaw, W.S.; Auditor, Mr. Edward Boyd.

The following new members were admitted:—Messrs. William Anderson, George Morton Cotton, John Ronald Fleming, Ian Simon Fraser, George Holcombe Lawrence, Robert Murray Meikle, Thomas Alexander Mackenzie, Charles Thomas Fitzgerald Pearson, B.A.; James Fleming Robertson, Ronald Edward Smith, John Dick White Spence, and John Smith Wells. At the close of the meeting a replica of a portrait of the retiring President, by Sir George Reid, R.S.A., was presented to Mrs. Carter, and acknowledged by Mr. Carter on her behalf. The original portrait is hung in the Society' hall.

The Society of Accountants in Aberdeen.

The fortieth meeting of the Aberdeen Society of Accountants was held on the 6th inst., in the office, 6 Golden Square, Aberdeen, Mr. James Milne presiding. The annual report for 1906 was unanimously adopted on the motion of the Chairman, and seconded by Mr. George McBain. Reference was made at the meeting to the President's gift of prizes to apprentices who passed the examination with distinction. Mr. Milne was cordially thanked for his gift, and was also thanked for his services as Chairman of the Society for the past four years. The following office-bearers were elected for 1907-8:—President, Mr. George McBain, C.A.; members of Council, the President, Mr. J. T. Jeffrey, Mr. John Reid, Mr. George G. Whyte, Mr. J. R. Flockhart, Mr. James Milne, and Mr. Charles J. Jamieson; members of General Examining Board for Scotland, the President, Mr. Andrew Davidson, M.A., and Mr. Charles Williamson, M.A.; Librarian, Mr. George Smith; Auditor, Mr. James W. Milne; Secretary and Treasurer, Mr. Walter A. Reid. An application was received from Mr. George A. J. Barron, formerly an apprentice in the firm of Messrs. James Meston & Co., asking to be admitted to the Society, and it was unanimously agreed to.

REPORT AND ACCOUNTS.

The report by the Council of this Society to the annual general meeting states that the number of members at 31st December 1905 was 47. Admitted during 1906—Mr. James G. Slessor, Mr. Archibald H. MacLean, Mr. James W. Milne, Mr. Charles S. Dickie, Mr. Bruce W. Milne, Mr. Charles Littlejohn, 6—53. Died during 1906, Mr. William Milne. Membership at 31st December 1906, 52.

The General Examining Board have had the usual half-yearly diets of examination during the past year. A fresh Summary of Rules for Admission and Syllabus of Examinations was issued by the General Examining Board, and comes into operation in June 1907.

The indentures recorded in the books of the Society from its commencement to 31st December 1905 have numbered 108, and there have been recorded during 1906, 3—111. Of the apprentices under these indentures there have become members of the Society, 57; apprentices have got their indentures discharged, but have not become members, to the number of 20; and indentures have expired, but through death or other causes no discharges have been recorded, to the number of 13—90; leaving indentures current at 31st December 1906, 21.

An abstract of the Treasurer's Accounts for the year 1906 is appended. The accounts are certified by Mr. Charles J. Jamieson, C.A. The funds belonging to the Society at the close of the year amount to £1,084 13s. 9d. In addition, the funds belonging to the Widows' Fund amount to £2,925 15s. 2d.

All the office-bearers retire from office at this time. Messrs. Geo. McBain and H. H. Bower, members of the Council, retire by rotation.

The Council report the receipt on 8th January 1907 of £50 from the President, as a fund from which prizes are to be given to apprentices who pass their Final Examination with distinction.

The President proposes that the Council, to be guided by the Aberdeen members of the General Examining Board, should have the disposal of the fund, but suggests that grants should be made therefrom, till it is exhausted, of £10, or such sum as may be available, to each apprentice who may obtain the "pass with distinction" mark. He also suggests that it should be in the discretion of the Council to award at any time such smaller sum as they may see fit to any candidate, passing the Final Examination, who may be considered deserving of recognition.

The Council have accepted Mr. Milne's gift, with great pleasure, on the terms mentioned.

The Council record with regret the death of Mr. William Milne, the last survivor of the founders of the Society. At

a special general meeting, held on 28th September 1906, the following resolution was unanimously agreed to:—

"The Society records with sorrow the death of the last "survivor of its original members, Mr. William Milne, "which took place at his residence, 40 Albyn Place, Aber-"deen, on 9th inst. Mr. Milne was closely associated with "the late Mr. Meston in forming the Society, and has all "along taken a keen interest in its affairs. He was Presi-"dent for a period of years, and in many ways helped to "further its interests. The Society hereby records its high "appreciation, not only of the valuable services rendered it "by Mr. Milne, but also its regard for his kindly disposi-"tion and high character."

No meeting of the Joint Committee of Chartered Accountants of the United Kingdom has been held in 1906, but matters of common interest to the profession are engaging attention.

The Librarian's Report is as follows:—The Librarian has pleasure in reporting that the facilities afforded by the library continue to be taken considerable advantage of, both by members of the Society and their apprentices. The following table shows the number of readers in each of the last three years, and of books issued during that time:—

	Readers.		Issue of Books.	
	Members.	Apprentices.	Members.	Apprentices.
1904	16	29	59	119
1905	15	28	103	220
1906	17	28	63	200

The Librarian called in on 15th January for the annual inspection the books which were in the hands of readers at that date. The volumes, now 467 in number, were found to be in good order, with the exception of a few which have been frequently issued, and are consequently somewhat soiled.

The Accountants' Magazine, *The Accountant*, and *The Investor's Review* continue to be received. A list of the books added during the year is annexed.

ABSTRACT OF THE TREASURER'S ACCOUNTS

for the Year ending 31st December 1906.

Charge.

	£ s d	£ s d
Funds at 31st December 1905		965 5 11
Annual Subscriptions received from Members (one member in arrear)	53 11 0	
Interest received, less Income Tax	33 11 1	
Recording Dues of Indentures	9 9 0	
Entry Money (six members), one-fourth part	78 15 0	
Miscellaneous	0 14 0	
		176 0 1
Amount of Charge		£1,141 6 0

Discharge.

	£ s d	£ s d
Management and Office Expenses		21 16 4
Expenses in connection with Examinations		15 19 9
Library Expenditure		10 19 9
Corporation Duty		1 10 5
Contribution to the Students' Society towards Expenses of Lectures		6 6 0
Balance, being Funds under Charge at 31st December 1906, invested as follows:—		
Loan secured over Heritable Property, Bridge Street, Aberdeen, at 3¾ %	500 0 0	
Loan to Aberdeen School Board at 3½ %	500 0 0	
In Bank on Deposit Receipt	75 0 0	
Library, Safe, &c.	—	
Balance due by the Treasurer	9 13 9	
		1,084 13 9
Amount of the Discharge (equal to the Charge)		£1,141 6 0

Aberdeen, 12th January 1907.

I have examined the foregoing account, compared same with the vouchers, and found it correct. The securities for the investments have been exhibited to me.

CHAS. J. JAMIESON, C.A.,
Auditor.

Scottish Insolvencies.

For the week ending the 9th February the number of insolvencies reported in Scotland was 29, as compared with 15 in the corresponding week of last year. The trust deeds numbered 15, as compared with 6; the sequestrations 2, as compared with 3; and the petitions for cessio 12, as compared with 6. The total for the six weeks of the year is 163, as compared with 127 last year—the trust deeds numbering 82 against 50, the sequestrations 31 against 37, and the petitions for cessio 50 against 40. Of the 15 trust deeds reported during the week, seven were granted in favour of Chartered Accountants.

The Law of Agency.

Mr. W. M. Gloag, Professor of Scots Law in Glasgow University, delivered on the 6th inst. a lecture on "The Law of Agency" in the hall, 218 St. Vincent Street, Glasgow. The lecture, which was the first of a series arranged by the Council of the Institute of Bankers in Scotland, in conjunction with the Institute of Accountants and Actuaries in Glasgow and the Society of Accountants in Edinburgh, was largely attended. Mr. Robert Orr, Clydesdale Bank, presided, and amongst those present were Mr. Robert Downie, Secretary of the Union Bank, and Mr. Alexander Sloan, C.A., Secretary of the Chartered Accountants' Association. Professor Gloag, in the course of his exposition, dealt with the constitution of the contract of agency and with the cases in which the relations of principal and agent have been held to exist without express contract. He afterwards explained in detail the questions arising between agent and principal in cases

where the interests of third parties were not involved, the agent's right to commission, his indemnity for liabilities, his responsibility for failure in professional skill, and the limits of his power to delegate his employment. At the close Professor Gloag was cordially thanked.

Will.

Robert Taylor Rankin, of 39 Cartvale Road, Langside, Glasgow, for many years cashier with Messrs. L. & R. Hope Robertson, Chartered Accountants, Glasgow, left personal estate valued at £2,427.

Bankruptcy Reform.

A meeting of the East of Scotland Bankruptcy Reform Association, held recently in the Goold Hall, Edinburgh, Mr. H. W. Hunter, J.P., ironfounder, President, in the chair, an address was delivered by Mr. Kinniburgh Morton, B.L., S.S.C., on "The Winding-up of Insolvent Estates under Private Arrangement." The lecturer pointed out that, there being no statutory regulations applicable to such arrangements, these, like any other private agreement, were regulated solely by the Common Law, the application of which to composition, contracts, and trust deeds he thereafter explained. Dealing with reform, he pointed out the defects of the present system, and illustrated the abuses which existed under it, the most important being that the consent of every creditor was required, and that consequently the whole arrangement might be rendered nugatory by one vindictive or exacting creditor; that in the case of trust deeds an unknown nominee of the debtor could, without the knowledge of the creditors, take possession of and realise the debtor's estates, without finding security for his actings, and without any effective control or audit of his accounts; and that the trustee under such a deed had no power to challenge preferences obtained by individual creditors. The only remedy of the creditors in such circumstances was resort to the statutory procedure of sequestration. The remedies he suggested for the consideration of the Association were:—That all deeds of arrangement should be filed with the Accountant of Court or other official, and should only become operative when sanctioned by a prescribed majority of creditors, whose sanction, however, should bind the minority; that in the case of trust deeds the creditors should have power, without cancelling the deed, to substitute their own nominee for the trustee appointed by the debtor; that such trustee should have power to challenge preferences in the same way as a trustee in bankruptcy, and that his accounts should be audited and his commission fixed by the accountant in the same way as was done at present in the case of judicial factors. Such remedies, he pointed out, involved the intervention of officialism, dreaded by mercantile men, but he urged that as no regulations could be enforced without a regulator, official control was a necessity, and that in no other way could the abuses existing under the present system be got rid of.

COURT OF SESSION.

Edinburgh—Outer House.

Before Lord Johnston.

February 5.

Mrs. Pattison v. The Rev. D. Kilpatrick and Another (W. G. Pattison's Trustees).

Trust Estate—Trustees' Account of Intromissions—Necessity for a Remit to an Accountant.

The pursuer, Mrs. Elizabeth Paterson or Pattison, Seacliffe, Trinity, near Edinburgh, is the widow of Walter Grey Pattison, wine merchant, Leith, who died on 16th January 1890, and in this action she called on her husband's trustees to account for their intromissions, in order to ascertain the sum properly due to her, in respect of her life-rent from her husband's estate, which she maintained had been short-paid to the extent of over £1,000. Mr. Pattison's personal estate amounted, as given up for confirmation, to £38,730, and his debts to £18,480, leaving a net personalty of £20,250. His heritable estate consisted of four properties in Leith. The defenders maintained that on a just accounting with the pursuer no balance of revenue was due to her.

Lord Johnston said that under the settlement of the late Walter G. Pattison the defenders, the Rev. David Kilpatrick, United Free Church minister, Newhaven, and the testator's son, Robert Paterson Pattison, were the sole trustees who had acted to any effect, his other son, W. G. G. Pattison, though he accepted, having resigned within six months, and several other trustees nominated having declined. Mr. Pattison was not a partner with his sons in their firm, which afterwards became the somewhat notorious company of Pattison's, Lim., but his estate was considerably involved in advances to them. Possibly had he lived, their speculations would not have been so wild as they were. But in the result his estate was a heavy loser by the failure of their business. By his settlement Mr. Pattison left his widow a life-rent of his residue, and on his death he directed it to be paid equally among his children. To meet the pursuer's present demand, the trustees produced their accounts to 28th February 1895. These accounts had been ostensibly regularly kept and audited. But it did not require much study of them to see that the trustees had a most difficult task in disentanglin-

Mr. Pattison's estates from the various adventures in which he was himself engaged, and still more so from his unfortunate involvements with his sons. That the estate should have practically gone down in the vortex of Pattison's, Lim., and its speculations was inevitable. But that did not deprive Mrs. Pattison of her right to a strict accounting so long as she was not otherwise barred. Inasmuch, however, as she allowed her sons to settle with her direct for all interest due to the trust on her late husband's advances to them, which formed a large part of the trust estate, and also for the rents of heritage belonging to the trust which they factored, whether she was honestly treated by them or not, she was now limited in her objections to the account of the proper intromissions of the trustees themselves. Objections had been allowed to the trustees' accounts, and these restricted as above involved a sum of £1,063 3s. 9d., made up of several items, and his Lordship had been asked to dispose of these objections without a remit to an accountant, and he had undertaken to deal with them so far as he found it possible, reserving to make a remit on any points should he find it necessary. It was objected that sums amounting to £1,063 3s. 9d. were credited to capital which ought to have been credited to income. His Lordship sustained objections to the extent of £419 1s. 7d., for which sum he said he could give decree against the defenders, and the case was continued in order that counsel might consider what admissions they were prepared to make with the view of obviating a remit to an accountant.

The Profession in Ireland.

The Institute of Chartered Accountants in Ireland.

THE quarterly meeting of the Council was held at 4 College Green, Dublin, on Wednesday, the 6th inst., Mr. Martin Shaw in the chair. There were also present Messrs. J. E. Magill, Robert Walsh, N. G. Peterson, J. Harold Pim, J. M. Kean, J. H. Woodworth, C. G. Mitchell (Assistant Secretary). Letters of apology for non-attendance were read from Messrs. Robert Stokes, J. McCullough, and W. Fitzsimons. The following candidates were awarded passes in the recent examinations, viz.:—Preliminary—W. G. Dougan, Belfast; W. V. Edwards, Belfast; A. N. Harper, Belfast; John Knox, Belfast. Intermediate—H. E. A. Addy, Belfast; G. B. N. Monro, Belfast. Final—T. S. Graham, Belfast; T. H. Jamison, Belfast; C. H. Joynt, Belfast; R. W. M'Mullan, Belfast.

The following were elected members:—In practice—W. R. Rawlinson, Belfast; T. S. Graham, Belfast. Not in practice—T. H. Jamison, Belfast; R. W. M'Mullan, Belfast. The usual quarterly business having been transacted, the meeting terminated.

In the *Cornhill Magazine* for February the author of "Elizabeth and her German Garden" continues the correspondence of "Fraulein Schmidt and Mr. Anstruther," and Mr. A. E. W. Mason, M.P., supplies a second instalment of "The Broken Road." Fiction is further represented by short stories from the pens of Alice Spinner, "The Man with the Matches," and Mr. W. J. Batchelder, "The Floating Light." "The Royal Collection of Pictures" is described by Mr. Lionel Cust, and under the title of "Tempora Mutantur" Sir Algernon West, G.C.B., describes the change that has come over the social relations of political opponents. A contributor who writes as "C. Stein" relates some experiences under the Red Cross during the Franco-Prussian War, and "E. V. B." sends "A Memory" of the great singer Jenny Lind. Mr. C. G. Barrington, the author of "Seventy Years' Fishing," initiates the reader into the art of "Shooting Wild Fowl from Gazes."

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

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VOL. XXXVI.—NEW SERIES.—No. 1681.] SATURDAY, FEBRUARY 23, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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Leading Articles.

Accountants and Distinctive Initials.

IN July 1905 we drew attention in a short series of articles to an unincorporated concern which then described itself as the Institute of Certified Accountants and Bookkeepers, and professed to be able to confer upon its members the right to use the distinctive initials "F.I.C.A." and "A.I.C.A.", in the case of Fellows and Associates respectively. Shortly afterwards it was announced

that Professor DICKSEE was prepared to consider the acceptance of the office of President, and upon this announcement being disclaimed, it was further notified that Sir ALBERT ROLLIT had accepted the position of first President, and that Mr. JAMES HENRY YOXALL, M.P., and Mr. A. D. TODD were among those who had accepted the position of Vice-Presidents.

We understand that the reason why Professor DICKSEE's name was mentioned in the matter was that it was represented as a nebulous scheme for the formation of an association of bookkeepers for their mutual improvement, and that, in general terms, and without committing himself in any way, he expressed an opinion that the idea was deserving of encouragement, provided a sufficiently large number of bookkeepers were prepared to take the matter up, and provided the association was conducted upon such lines as to make it perfectly clear that its members were bookkeepers, and not accountants. Subsequent events have shown sufficiently clearly that the requisite assurances were not forthcoming; but how Sir ALBERT ROLLIT's name ever came to be put forward in the matter at all must remain somewhat of a mystery.

We have not before us the whole history of this concern from start to finish, but apparently it was not very long before it was plainly shown that the object was *not* to found an association for bookkeepers or others similarly employed in accounts, but to add another to the already too-numerous associations of so-called professional accountants that admit members without adequate inquiry as to their capacity, for we find that, on the 14th December 1906, separate writs were issued by the Institute of Chartered Accountants in England and Wales, and by the Institute of Actuaries, against Sir ALBERT K. ROLLIT, JAMES HENRY YOXALL, M.P., A. D. TODD, THOMAS BERRIE, JOHN REES, and ALFRED HIGH, on behalf of themselves and all other persons carrying on business as the Institute of Accountants. The Institute of Chartered Accountants sought an injunction to restrain the defendants, and the other persons constituting or carrying on a business as the Institute of Accountants, from carrying on business in the name of the Institute of Accountants or in any such other name or in any such manner as to lead to the belief that such business was that of, or was in any way connected with that of, the plaintiffs, and they further asked for costs. The Institute of Actuaries sought an injunction to restrain the defendants, and other persons carrying on business as the Institute of Accountants, from carrying on business in such manner as to lead to the belief that such business is that of, or was in any way connected with that of, the plaintiffs, also asking for costs.

On the 7th ult. Sir ALBERT ROLLIT applied to be dismissed from the action on the ground that he was not President of the Institute of Accountants, and was in no way connected with it, and an order was accordingly made by Mr. Justice KEKEWICH, dismissing him and ordering the writs to be amended accordingly.

The action of the Institute of Actuaries came before Mr. Justice JOYCE on the 1st inst. in the form of a motion, and after a fruitless attempt on the part of Mr. YOXALL to be dismissed, on the ground that he had no interest whatever in the Society, his Lordship granted a perpetual injunction restraining the defendants, and all other persons constituting or carrying on business as the Institute of Accountants, from

using or sanctioning, or authorising the use by the Fellows or Associates of such Institute of the letters "F.I.A." or "A.I.A." respectively after their names, either alone or in combination with any other letter or word, or from carrying on business in any such manner as to deceive, or lead to the belief that such business is that of, or is in any way connected with that of, the plaintiffs, and that the defendants do pay to the plaintiffs their taxed costs of the action.

On the 8th inst. a similar motion came before Mr. Justice JOYCE in the action of *The Institute of Chartered Accountants v. Yoxall and others*, when, after a very similar dispute as to the position of Mr. YOXALL, the defendants there also submitted to a perpetual injunction, restraining them, and all others the persons constituting or carrying on business as the Institute of Accountants, from carrying on business in the name of the Institute of Accountants, or in any other name so nearly resembling the name of the plaintiffs, or in such manner as to deceive, or to lead to the belief that such business is that of, or is in any way connected with that of, the plaintiffs; and in this case also the defendants were ordered to pay costs, the motion to be treated as the trial of the action.

We have not thought it necessary to reproduce the Institute of Actuaries' case in our Law Reports, but a report of the Institute of Chartered Accountants' case appears this week, and the decision is satisfactory as demonstrating beyond all doubt the accuracy of the view that we have always upheld in these columns, that the Institute has under the existing law the power of protecting its members, and its title, without any further assistance at the hands of the Legislature. It has now been very clearly shown that no new association or institute can be founded with a name so like that of an existing body as to be calculated to deceive, and that no new association can confer upon its members distinctive initials practically identical with those that already have a recognised meaning as indicating membership of some established institute or society.

Another point that can hardly fail to escape the attention of our readers is the position of those who without due inquiry become members of concerns which infringe the law by omitting to properly respect existing titles. Their society becomes liable, of course, to pay the costs of any proceedings incurred, and the officials of their society are no doubt entitled to an indemnity so far as the existing funds will carry them; but when—as we understand was the case here—the society is unincorporated, it is clear that there can be no such thing as a limited liability, and thus, apparently, each individual member becomes liable for the whole of the costs of the proceedings. This is a point which probably no one appreciated when agreeing to become a member, but which certainly ought not to be overlooked in such cases. The costs, although no doubt heavy, would probably be comparatively trifling, if spread over the whole of the membership; but if they should be collected from only a few, leaving them the doubtful right to claim contribution from others, a position of extreme inconvenience might easily be brought about in some cases. At the same time, we cannot pretend to feel much sympathy with those concerned, for it must be assumed against them that their intention was to do that which the Court has now perpetually restrained them from doing. Had those responsible for the formation of this Institute adhered to their

first avowed intentions, there would, we imagine, have been plenty of scope and opportunity for them to have gradually built up a large and influential membership, but as (so far as can be gathered) no single member of the concern—certainly none of its Vice-Presidents—could be properly described as a professional accountant, they certainly cannot feel very much aggrieved because they have been restrained from employing for the name of their Institute a name as nearly as possible identical with that of the Institute of Chartered Accountants, and from describing themselves by distinctive initials which for years past have been employed to indicate membership of the Institute of Actuaries.

Trustees under Deeds of Arrangement.

IT would be easy to exaggerate the importance of the decision in *Aultman and others v. Parkin*, which appeared in our Law Reports on the 9th inst.; but, on the other hand, so far as it goes this decision is undoubtedly of some importance, and entirely satisfactory from the point of view of the profession.

This was a case in which Mr. T. C. PARKIN, F.C.A., had acted as trustee under a deed of assignment executed by one JOSEPH LOWE for the benefit of his creditors. The assets had been realised, and a dividend of 10s. 6d. in the £ had been paid, but certain creditors objected to the amount retained by Mr. PARKIN in respect of his services, with the result that proceedings were instituted.

As is usual in such cases, one finds, of course, an extreme conflict of evidence as to what *is* a reasonable remuneration, and one has only to read our report of the hearing to understand how extremely difficult it must be for the Court to arrive at any reliable conclusion as a result of such evidence. On the one hand several witnesses, including the President of the Sheffield Society of Chartered Accountants, agreed that the basis of remuneration should be by way of a commission on the assets realised and the amount distributed as dividend; and the general conclusion to be derived from such evidence appears to be that 7½ per cent. on the amount realised and 5 per cent. on the amount distributed as dividend would be a quite sufficient remuneration, even in the case of an estate which only realised £422 odd. On the other hand, the defendant urged that the case ought to be dealt with upon its merits, and upon the basis of the time occupied. He pointed out that there were no less than 228 debts due to the estate, many of which were disputed, and that in 30 cases he had had to take County Court proceedings, while 70 odd disputed cases were settled out of Court. There were, moreover, he pointed out, a number of contra accounts to be investigated. He claimed that he was entitled to be paid, on the basis of time occupied, at the rate of 9s. per hour for himself, 4s. 6d. per hour for his chief clerk, and 1s. 6d. per hour for other clerks; and he produced witnesses, including a member of the Council of the Institute, supporting him in the statement that the charges he had made were reasonable.

In the result, the Deputy-Judge decided that as there was no suggestion that the defendant had not occupied his time in the way he had stated, and as the evidence (including that of the principal witnesses for the plaintiff) agreed that the charges per hour were fair and

reasonable, he had no option but to give judgment for the defendant, with costs.

It is certainly not for us to seek to quarrel with such a decision as this, but we cannot help thinking that the plaintiffs must have been extremely badly advised to conduct their case upon the lines reported. Obviously, if the defendant was entitled to claim remuneration upon the basis of time occupied, unless the amount of time actually occupied was in dispute, nothing could be said against the scale of charges employed. The only possible ground for attacking such charges would be upon the lines that in bankruptcy cases trustees' remuneration is invariably by way of a commission, and in private arrangements is also customarily so based. Whether it could be proved that a person undertaking the position of trustee under a deed of arrangement can only claim, as a fair charge for his services, a reasonable commission on the assets realised and the dividend distributed by him, is an open question which it would have been interesting to have seen argued and definitely decided, but upon no other basis could the action have been fought with any prospect of success. The presumption is that the deed of assignment in this case contained the usual clause entitling the trustee to "reasonable" remuneration for his services; and unless it could be successfully contended that such remuneration must in all cases be upon the commission basis, it would clearly be open to the trustee to charge by time, if that method of charging suited him better. On the other hand there is, of course, a good deal to be said in favour of the argument that in private arrangements, as in bankruptcies, the custom is for the remuneration of the trustee to be very largely, if not entirely, dependent upon the measure of financial success that attends his realisation of the estate. There would, we believe, be no difficulty in showing that the remuneration of most practitioners is upon the commission basis in private arrangements as well as in bankruptcies, but the question to be decided in this case was, of course, not what was usual, but what the defendant was entitled to charge.

The decision of the Deputy-Judge of the Sheffield County Court is, apparently, to the effect that, in the absence of any provisions to the contrary contained in the deed of assignment, the trustee is entitled to charge by time, if that method is more advantageous to him. We are a little sceptical as to whether this decision would of necessity be adopted in other Courts, but for what it is worth it is satisfactory from the point of view of the trustee. As respects creditors, however, it is not quite so satisfactory. It is, of course, well known that there are grave abuses connected with the working of the Deeds of Arrangement Act at the hands of unscrupulous persons who describe themselves as accountants; and, if these individuals are to be entitled to charge for their services by time on the full scale ordinarily allowed to qualified accountants in first-class practice, there would as a rule be but little difficulty in the way of their carrying out their primary object in taking such trusteeships—namely, securing to themselves the whole of the realisable assets without rendering themselves liable to criminal proceedings. Our own view is that, speaking generally, a procedure which enables a trustee to assess his own remuneration, and which leaves dissentient beneficiaries no other remedy than an action at law, is an unsatisfactory procedure, and one that in the interests of the profession should be modified with all reasonable speed.

A Suggestion for the Regulation of Balance Sheets.

THERE are few writers upon accountancy subjects whose contributions are more welcome and suggestive than those of Mr. T. A. WELTON, F.C.A., and accordingly the paper under the above heading, which he read at a recent meeting of the Sheffield Chartered Accountants Students' Society—a full report of which appeared in our issue of the 19th ult.—will no doubt have been read with the greatest attention by all our subscribers.

In a measure, Mr. WELTON returns to the controversy, in which he figured some fifteen years since, concerning what is profit of a company; but this time he comes forward with a definite constructive policy, and thus gives an increased and novel interest to a subject about which, it is to be feared, there is far too little serious thought at the present time. Indeed, the subject now before us lies at the very root of all statements of account, calling, as it does, for the reconciliation of the practically irreconcilable. Theoretically, a Balance Sheet is supposed to show the financial position of an undertaking, and its Revenue Account the profits earned by carrying on business operations during the past financial period. One is supposed to be a necessary corollary of the other. But this theory altogether ignores the very important fact that there are other profits and losses besides those occurring as a result of carrying on business, which, if included in the Revenue Account, will undoubtedly destroy its use as a test of the efficiency of the management of the business, but which, if excluded, will either cause a distinct hiatus between the Revenue Account and the Balance Sheet, or else require the Balance Sheet itself to equally ignore these extraneous profits and losses. In view of the fact that there is often the greatest difficulty in determining the exact extent of these extraneous profits and losses, and the further fact that it is sometimes practically impossible to determine them at all, the Balance Sheet in practice is frequently framed upon purely conventional lines rather than as a reliable statement of the financial position. It is the uncertainty as to what a Balance Sheet means, which is so unsatisfactory in itself, that has doubtless brought about Mr. WELTON's suggestion for the regulation of Balance Sheets that forms the subject of his paper.

Mr. WELTON's suggestion is that there should be a law under which every company is called upon to adopt bye-laws regulating the preparation of its accounts, the law to provide typical bye-laws, to be binding in case the company adopts none of its own making.

It is unnecessary for us to follow Mr. WELTON into the various details of the scheme: suffice it to say that he anticipates all the more serious practical difficulties involved, but does not, we think, grapple sufficiently definitely with the problem of Secret Reserves, or with the inherent difficulty of setting a money value upon all the outstanding operations of a going concern. We do not quite gather, in the first place, whether Mr. WELTON proposes to sanction or to abolish Secret Reserves *in toto*, or whether he advocates a middle course. Apparently he inclines to the latter view; but in that event it seems to us that he renders nugatory much that he has previously been contending for, in that he deliberately reintroduces the element of uncertainty into Balance Sheet values, and sanctions the retention of constant figures in the Balance Sheet, even although

there may have been material alterations in the values themselves. We do not see how, at this time of day, it is really open to anyone to go back upon existing business methods, and require a company to state all its assets in its Balance Sheet at their proper values; but unless one is prepared to go so far as that, one can hardly get further than a requirement that the values shall be at least as great as the Balance Sheet figures, which still leaves the published Balance Sheet an admittedly incomplete statement, that fails to disclose the true position of affairs. It would, of course, be open for companies, by their own bye-laws, to decide whether or not they would sanction a Secret Reserve in their case, but it is not difficult to foresee that, were a law passed of the kind suggested by Mr. WELTON, all the most undesirable companies would take power to create Secret Reserves for the sake of the "kudos" thus to be secured. In the nature of things the exact extent of the Secret Reserve would have to remain undisclosed, and might be so inconsiderable that a fictitious reputation could be thus secured at a very trifling sacrifice. On the other hand, supposing that the principle of the Secret Reserve be thrust overboard altogether, and each company is required to so frame its Balance Sheet that it really discloses its financial position, we come back to the oft expressed difficulty, of finding out what that position is while the undertaking remains a going concern. Prudent directors naturally err upon the safe side, a policy which necessarily involves the creation of Secret Reserves if there is to be any margin of safety at all; while those who do not look ahead, and care little or nothing about what happens in the future, attach a very liberal meaning to the expression "going concern," which, it must be admitted, is in itself sufficiently vague. We are afraid that no amount of bye-laws would solve the inherent difficulty of valuing unrealised (and perhaps unrealisable) assets. For the protection of directors it seems necessary that they should be allowed a very wide latitude in the matter, and while that latitude is permitted, the precise meaning of any published Balance Sheet must be proportionately vague.

Upon the whole, however, we think at least this might be said in favour of Mr. WELTON'S contentions, that a very large number of companies might with advantage adopt the Double-Account System, which would enable shareholders to definitely see what assets were valued at their original cost, and what assets were valued at what was thought to be their then realisable value. Reserves (disclosed) might be provided to cover any estimated shrinkage in the value of capital assets which it was thought desirable to provide for out of Revenue, and if the principle of the Secret Reserve were definitely sanctioned, it might be given effect to by permitting an undertaking to debit Revenue from time to time with such reserves as it thought fit; to invest a corresponding amount of money outside the business; and to omit to disclose such investments and reserves on the face of the published accounts. Another form of optional bye-law, which would be decidedly advantageous under certain circumstances, would be one restricting dividends to a prescribed figure until the Secret Reserve had accumulated to 10 per cent. of the subscribed capital (including debentures). It would not be difficult to multiply suggestions of this description, but it is difficult (and, it seems to us, absolutely impossible) to forego the inherent objection with regard to the whole matter—that inasmuch

as a Balance Sheet must necessarily to a very large extent be a question of mere opinion, no amount of regulations, no matter how ingeniously devised, can really do much in the direction of making it more definite than it is at present. In individual cases a Balance Sheet can always be made definite and precise by those who wish it to take that form; but we think it would defy the ingenuity of anyone to frame regulations compelling directors to make their Balance Sheets definite and precise when for any reason they preferred not to do so, and we are afraid that in a large number of cases they will continue to prefer them indefinite.

Notes on the Evidence

TAKEN BY THE

Select Committee on Income-tax, 1906.

By R. N. Carter, F.C.A.

The *evidence* taken by the Committee being now available it may be useful to supplement the notes published in your issue of December 15th 1906 by reference thereto.

The Blue Book contains 260 pages, and it is unlikely that many will have either time or inclination to go through it, but the following digest may be helpful. The numbers in brackets refer to the Questions and Answers as per the Blue Book.

The witnesses examined were:—

Sir Henry Primrose (Chairman of the Board of Inland Revenue).

Mr. Bernard Mallet (a Commissioner of Inland Revenue and a member of the Board, who wrote an introduction on Foreign Systems for the Blue Book, which was laid before Parliament).

Mr. L. G. Chiozza Money, M.P. (Author of "Poverty and Riches").

Mr. Wm. Gayler (Chief Inspector of Stamps and Taxes under the Board of Inland Revenue).

Mr. Arthur Lyon Bowley, M.A. (Lecturer of the London School of Economics and a member of the Council of the Statistical Society).

Mr. T. A. Coghlan (a member of the Council of the Statistical Society, and who for 20 years was Government Statistician in New South Wales, and is now statistical adviser to the Federal Government).

Mr. Philip Snowden, M.P. (who appeared as representative of the Labour party).

Sir Thos. Hewitt (a K.C., and Counsel and Clerk to the Commissioners of Taxes for the City of London).

Mr. J. Spencer Phillips (President of the Institute of Bankers and Chairman of Lloyd's Bank).

Mr. Harold Cox, M.P.

Mr. Walter Gyles (a Special Commissioner of Income-tax).

Sir Felix Schuster.

Mr. Algernon H. Mills (for 25 years a partner in Glyn, Mills & Co's. bank.)

Evidence was adduced at great length as to the probable number of persons in various grades of income—presumably with the view of enabling the Board of Inland Revenue to estimate the yield of the tax under any proposed system of graduation, &c.

Mr. Bowley and Mr. Coghlan in particular went very deeply into the subject.

Mr. Bowley regretted that the information available was not used more for statistical purposes, as useful information could be obtained from it [1,162]; and Mr. Coghlan stated we were statistically behind other countries [1,397], Victoria being especially advanced [1,403].

Sir Henry Primrose thought the estate duty statistics were not helpful except in the case of very large estates [22]; the reverse applied to the case of the inhabited house duty statistics, as, in the higher regions of income, the house rent bore a very indefinite proportion to the income [24]. This endeavour at comparison was further complicated by the fact that banks where the manager lived on the premises, and the halls of the Oxford Colleges, &c., were assessed as "inhabited houses" [31], and that in England flats were assessed as a whole [32].

He thought there were rather over 750,000 people with an income below £700 and 250,000 above [33]; perhaps 800,000 and 300,000 respectively [37].

Mr. Chiozza Money, M.P., considered 800,000 a maximum [506] and that 300,000 was excessive [508].

Mr. Bowley also thought a total of 1,100,000 was excessive [1,278].

Basing his calculation on the inhabited house duty statistics, which he considered more useful for the purpose than those relating to the estate duties [41], Sir Hy. Primrose estimated the number of those enjoying £5,000 per annum and upwards at a minimum of 7,500 and a maximum of 12,500—say 10,000—but perhaps 12,000 would be nearer [3,259 (13)].

He divided these as follows:—

D.	£5,000 to £10,000	...	6,500 [65].
C.	10,000 ,, 20,000	...	2,500 [63].
B.	20,000 ,, 40,000	...	750 [62].
A. over 40,000		...	250 [57].

As to Class A. he felt fairly certain of being about right [55], of the others he was more uncertain, particularly of Classes C. and D. [65].

Any estimate of the number of persons with incomes between £2,000 and £5,000 would, he considered, be so conjectural as to be valueless [107].

Mr. Coghlan thought inhabited house duty returns, taken not alone, but in connection with other returns, were very valuable [1,391], and that the estate duty statistics were very valuable indeed [1,393].

Sir T. Hewitt thought that the figures were purely speculative [2,070], but later stated that from inquiries he had made he thought they were correct [2,284].

Mr. Gyles did not attach any importance to rent paid [2,718], but approved Sir H. Primrose's estimates [2,744].

Sir Henry Primrose considered that the dislike to the income-tax at present would be intensified by a super tax, and that such super tax would lead to *legal* evasion by leaving profits abroad, thus substituting assessment on *remittances* for assessment on accounts here—"the most vulnerable part of our tax"—and by inducing division of capital among the family. In the former case the Revenue would lose not only the super tax but also the present tax [77].

Mr. Chiozza Money thought these fears exaggerated [780 *et seq.*].

Also Mr. Coghlan, who said it had been talked of in Victoria but had not happened [1,378], but he afterwards admitted that there was no comparison (as to investors) between the United Kingdom and the colony of Australia [1,469].

Taking a super tax of 3d. in the £ from £5,000 to £10,000; 6d. on £10,000 to £20,000; 9d. on £20,000 to £40,000, and 1s. on over £40,000, Sir Henry Primrose estimated a gross yield of £3,200,000 [74], but it was a sanguine estimate to look for 75 per cent. of what ought to be received [82], and he thought £1,000,000 might be escaped by *legal* evasion [77], so that the net yield might not be more than £1,500,000 (and Sir T. Hewitt agreed [2,392]); and, further, any encouragement to invest in foreign bearer bonds would diminish the receipts for stamp duty on transfers [82].

Sir F. Schuster also thought that a permanently high tax would increase evasion [2,878, 2,897].

Sir Henry's idea of the machinery for the collection of the super tax was that it should be dealt with by Special Commissioners [88]; local Surveyors would furnish lists of persons whom they thought had £5,000 per annum or upwards [92], and such persons would be required to give returns with full particulars of income from all sources, but his difficulty was how to check such returns in respect of what was *not* in them [92].

He rather aptly defined "practicability" as "the substantial balance of advantage over disadvantage" [6].

Mr. Gyles said that his experience of hearing appeals all over the country led him to the view that an exceptional tax on a particular class (the super tax) would cause greater prejudice than if the same sum were taken by the ordinary tax [2,715-6].

One serious practical financial difficulty which he raised was the amount of tax which would be outstanding, pending appeals [2,754].

He thought that if there was to be a super tax, strong powers to call for books and examine clerks on oath would be required [3,087]. Such examination would be bitterly resented [3,130], and it was a most serious objection, but he thought it better to face these difficulties at once, and make provision for them rather than to let them crop up in a year or two and have to amend the Act [3,131].

Sir Felix Schuster was quite convinced that graduation by a maximum tax in the first instance followed by reduction was impracticable, the super tax on individual returns being the only feasible method [2,921].

Sir T. Hewitt drew a terrible picture of the powers, &c., necessary to put a super tax in operation [2,261], viz.:—

Onerous penalties for false returns, failure to make returns, or false declarations.

Powers to demand list of dividends paid.

Powers to compel attendance and demand answers to all inquiries.

Powers to require returns in detail showing debts, mortgage, &c. &c.

Powers to require production of business books, bank books, &c.

And finally, power to the assessing authority to make assessments regardless of the statements of the taxpayer—but subject to a right of appeal.

On this point Mr. Phillips was most distinctly opposed to a power to inspect accounts with banks. He thought it would be absolutely fatal and would have serious effects in inducing people to hoard, and that, probably, in bank notes, which would necessitate the keeping of much gold by the banks [2,428]. Indeed, he did not think the people would stand it [2,436].

Sir Felix Schuster was equally firm against it, and moreover stated that it would be useless [2,854] as, even in the case of foreign income, a person would have it remitted to him by draft, and would pay it into his bank as cash [2,855].

(*To be continued.*)

Weekly Notes.

Bankruptcy Law Amendment. The twenty-seventh meeting of the Bankruptcy Law Amendment Committee was held on the 14th inst. at the Royal Courts of Justice, Mr. Muir Mackenzie (the chairman) presiding. Evidence was given by Mr. Hubert Smith, Fellow of the Institute of Chartered Accountants (representing the Sheffield Chamber of Commerce), whose evidence related mainly to the question whether it is desirable to give publicity to assignments of book debts, and by Mr. William Walter Read, Fellow of the Institute of Chartered Accountants.

The Mother of Parliaments and her Daughters. The legislative machinery seems to run more smoothly in the Colonies than in the mother country, for, as the *Globe* points out, while our Statute Book received only twenty-three additions in 1905, New Zealand passed sixty-four public Acts, and British Columbia fifty-eight. It is interesting to note that Queensland admitted women to practise at the Bar, the use or wearing of the customary official wig in any Court in British Columbia was prohibited, while New Zealand authorised its law officers to prohibit the reporting of trials where the interests of public morality warrant it.

American Bankruptcy Returns. The statistics recently published by Bradstreet Company, of New York, show that the prosperity which has fallen to the lot of the United States of late has been accompanied by a considerable reduction in the number of failures, the number for 1906 (9,385) showing a decrease of 5·9 per cent. on the figures for 1905, which were in turn 4·3 per cent. below the records for 1904. The liabilities involved, however, representing nearly £32,000,000, exceeded by 4·4 per cent. the amount for the preceding year, and this unfortunate fact is said to be due to "a few large banking suspensions," which, as a financial contemporary says, is a polite way of saying that some financial institutions got involved in reckless speculation in Wall Street and burnt their fingers. It is interesting to note that about four-fifths of the failures were due to faults on the part of the bankrupts, covering the usual catalogue of incompetence, inexperience, lack of capital, unwise credits, speculation, neglect of business, personal extravagance, and fraudulent disposition of property, while the remainder were due to circumstances beyond their control. Human nature seems to be much the same on both sides of the Atlantic.

The Qualifications of a Director. The report of the public examination of the directors of a notorious "banking" corporation affords interesting reading. One of the members of the board admitted that the company was registered in Guernsey in order that the stamps and fees and the drastic conditions of English company law might be evaded. He had kept a fish shop, dealt in mineral water, occupied a position as traveller and canvasser, and had no knowledge of the English company law! The directors each bought one share, and he and two other directors held twenty shares between them, which they had not paid for. The bond system arranged by the company was so drawn that payments were forfeited unless the bondholder kept up his monthly instalments. He did not know where the reserve fund and bond redemption fund had gone to—possibly they had been spent! Happily, this "financier's" career has been cut short, but the moral of it all is too persistently obvious for mere words.

A Midland Railway Innovation. It is announced that, commencing on the 16th inst., the Midland Railway Company have decided to issue week-end tickets between all stations on their system (with a few exceptions), instead of, as hitherto, limiting such facilities to certain seaside and pleasure resorts. The rate will be single fare and a quarter for the double journey, with a minimum of 4s. first class and 2s. 6d. third class. No restrictions in the way of luggage, &c.,

appear to be attached to the issue of these tickets, and we should imagine that the public will much appreciate the concession, which is likely to be followed by other railway companies in the near future. Most seaside towns are already rendered accessible in this way by all the companies, but we have never been able to understand why the issue should be *confined* to such narrow limits.

Definitions Wanted. The case of *Goldmann v. Kann* reveals an important point which will, perhaps, repay further investigation. Certain shares had been sold for "settlement coming out," but as the directors of the company, contrary, it was said, to the provisions of the articles of association, had declined to issue certificates for shares not fully paid up, the vendor was unable to tender a certificate and the purchaser repudiated the contract. Strictly speaking, we suppose the purchaser was entirely within his legal rights in crying off the contract since his conditions had not been fulfilled, but even supposing that "settlement coming out" *does* mean the "coming out of the certificate for the shares," for which at present we only appear to have the authority of Mr. Justice Channell, we should have thought that the entry in the Share Register might have been accepted as evidence of ownership. Perhaps some of our readers may be able to afford us other definitions of a phrase which is certainly new to us.

Unclaimed Company Dividends. A point of some interest came before Mr. Justice Buckley a short time since in *Re Crisp & Co., Lim. (in Liquidation)*, as to how certain dividends that had not been claimed by shareholders of the old company should be dealt with by the liquidator appointed when the company was reconstructed in 1905. His Lordship directed that, in so far as these unclaimed dividends had been provided by the vendor of the old company under his guarantee that the dividend should not be less than a prescribed minimum, the liquidator must hold the amount unclaimed as trustee for the executors of such vendor (now deceased), and that the remainder ought to be paid to the new company subject to any claims of the shareholders of the old company entitled to claim payment thereof.

Company Registrations in 1906. A recent issue of *The Investors' Guardian* contains some interesting statistics as to company registrations during the past year, which show that the total number of new companies registered in 1906 was 4,395, against 3,967 in 1905, and 3,481 in 1904. As usual, the largest nominal capital is for purposes of mining and exploration, which represent approximately one-sixth of the total, or a little under 26 millions. Motor undertakings come next, with something over 9¼ millions, followed by railways and tramways, with upwards of 8 millions, and shipping, banking, and finance with 7¾ millions each. Irish and Scottish companies show an equally satisfactory increase, while it is no less gratifying to observe that the publicity given to registrations in the Channel Islands has caused them to drop to comparatively insignificant proportions, the total number of such registrations for last year being only 11, as against 59 in 1904, and the total capitalisation 1¼ millions, against upwards of 14 millions.

Directors and Proxies. The recently issued half-yearly report of the London and North-Western Railway Company makes reference to the litigation which took place a short time ago on the question of proxies. The directors state that they acted "solely "and entirely in the interests of the company and in "discharge of their manifest duty," and they claim that the decision in the action we have mentioned shows that the Court was of the same opinion. Nobody, of course, doubts that the directors acted in good faith and to the best of their belief in the interests of the company, but that was hardly the question before the Court, the issue being as to control; and it may be that in time to come the matter will be tested again, for the latest decision is not exactly satisfactory or convincing.

Statements of Affairs in Company Liquidation. At the Bow Street Police Court, a short time since, a former director of the Land Options and Estates, Lim., was ordered to pay a penalty of £10 and £2 2s. costs for failing to submit to the Official Receiver a statement of affairs of the company within the prescribed period, it being stated that he was 164 days in arrear. The defendant pleaded that the general manager of the company was in a better position to supply the information asked for than himself, but the representative of the Board of Trade mentioned that as a rule only directors or secretaries were proceeded against in cases of this kind. There can be no question as to the primary responsibility of directors in such matters, and it is, we think, only in cases where it is quite clear that the information could be more conveniently obtained

from subordinates that the directors' statutory responsibility should not be insisted upon.

Surrender of Shares. The question asked by our correspondent "Alpha" last week is one that has been repeatedly dealt with in these columns so far as the matter can be usefully discussed in general terms. Naturally, in all cases] that arise in practice the advice of a competent solicitor should be secured, and, if necessary, counsel's opinion obtained. Speaking in quite general terms, however, it may be stated that although the point is not entirely free from doubt, it is generally thought that fully paid-up shares may be surrendered by those desirous of *pro tanto* improving the financial position of a company. It is generally thought that the best method of carrying out the transaction is for the shares to be transferred to trustees, who hold them on behalf of the company, as this gets over any possible doubt as to whether what is in effect substantially a reduction of the company's capital is in order.

Municipal Insurance *in excelsis*. We understand that a scheme has been brought forward and recommended to the Capetown City Council to provide for the insurance against fire of all the buildings in the city by the Council, the cost thereof to be met by an increase in the rates. It is some time since we heard of a scheme quite so wild or so entirely opposed to all business principles. The essence of all insurance is to provide as large an area of insurance as possible with a view to insuring a minimum amount of loss payable in any one year. Insurance companies accordingly spread their risks and refuse to take more than a certain minimum in any one building or in any one district; yet, apparently, it is gravely suggested that the citizens of Capetown should deliberately throw over the advantages of fire insurance, and run the risk of absolute ruin in the event of the city being at any time destroyed by fire; or, short of that, should run the risk of an enormous increase in the rates in the event of there being a bad fire in any one year. The idea of municipal insurance is sufficiently doubtful from the point of view of sound finance when applied to all the buildings municipally owned throughout the whole of this country, because even then there is an artificial narrowing of the field of risk, which should in all cases be as wide as possible; but any suggestion that a sound insurance business could be built up within so small an area as the confines of a single city could, it seems to us, only be put forward by those who do not know and have not taken the trouble to inquire what insurance really is.

Trust Companies and Depreciation. Our contemporary the *Municipal Journal* is apparently highly gratified to learn that it is proposed to reduce the capital of the London Trust Company, Lim., and that Lord Avebury has asked to be relieved of his duties as a director, so that he may reduce his business engagements. Our contemporary is pleased to think that, as his Lordship has been director of a company that has made a loss on Capital Account, it is not open to him to take local authorities to task as to the sufficiency of the provision that they may make for the depreciation of assets in their trading departments. We know nothing about the circumstances of the London Trust Company, Lim.; but we may mention, for the information of our contemporary, that many such companies are formed virtually upon the principles obtaining when a deceased testator leaves his estate in trust for a life-tenant with remainder to others; that is to say, certain provisions are laid down for the reasonable safeguarding of the capital, and subject to such provisions it is provided that all net income received is to be divided. Whether it is altogether desirable to base limited companies upon these principles is no doubt a debatable point, but it is clear that a man may be connected as director with such a company and yet be quite competent to discuss the depreciation question in all its bearings. If private investors like to arrange their companies upon a terminating basis, and the law so permits, it is hardly open for others to criticise so long as creditors are not defrauded; but, if local authorities frame their finances upon similar lines, they must expect to be told that the provision they are making for depreciation is altogether inadequate to maintain their undertaking upon a permanent basis—and that, of course, is a public and not a private matter.

The New Table A. It has been pointed out that the new Table A was drawn up with the intention of saving small companies the expense of furnishing special articles of association, but its effect in practice is not quite in accordance with the wishes of those who would register without the aid of a solicitor. The difficulty arises out of the fact that the declaration of compliance with the requisitions of the Companies Acts must be made by a solicitor, or by a director

named in the articles of association. Under the old Table A, clause 53 provided that the subscribers to the memorandum of association should be deemed directors, and a declaration signed by one of these signatories has hitherto been accepted by the Registrar of Joint Stock Companies. The new Table A, however, does not contain any such clause, and hence, where Table A is adopted, the declaration of a solicitor engaged in the formation of the company is imperative. We do not altogether accept the theory that the new Table A was drafted for the purpose of saving legal expenses; the idea was, we think, rather that the old schedule had become obsolete.

The Institute of Directors. On the 13th inst. the Duke of Argyll presided over a meeting of the Institute of Directors at which Mr. Harold Brown, a member of the firm of Linklater & Co., read an interesting paper on Company Law Amendment. He deprecated fresh legislation on any point unless absolutely necessary, first because it would add to the impression as to the onerous nature of the responsibilities imposed upon directors, and thus increasingly deter the best men from accepting office; and secondly, because it would lead the public to believe that some substantial additional security had been devised for their protection. He argued that the wisest policy was not to attempt to keep shareholders and creditors in swaddling-clothes or leading-strings, but rather to get them to understand that there were great risks necessarily attendant on investing in any business or trade whatsoever; that these risks existed in a greater degree in connection with investing in companies; and that consequently they should not invest in any company unless they had good ground for believing that they could rely on the ability and integrity of its directors, and that even then they should divide, and thus average, the risks of their investments, by not putting too many eggs in one basket. This is, no doubt, excellent advice, but we are afraid that it will be a long time before its advantages are brought home to the average investor.

Reputed Ownership. With all deference we may perhaps be allowed to express a doubt as to whether the decision of Mr. Justice Bigham in *Re Button*, which was given in our Law Reports of the 9th inst., will stand. With all respect we doubt whether it is sound law, and it seems to us very bad common sense. The provisions of Section 37 of the Bankruptcy Act, 1883, with regard to reputed ownership, provide that if the true owner of goods allows them to remain in the possession of another, under such circumstances that persons giving credit to the latter might reasonably think that those goods were his own, they shall in the event of bankruptcy be so regarded. The obvious intention of this provision is to hit the very clever man who wishes to "sit upon the fence," and thus secure the advantages of selling his goods to an unstable customer, and yet of calling for the return of those goods if he finds himself unable to secure payment therefor. The law says that under such circumstances the true owner is not to have his goods back. The applicant in *Re Button* argued that this in effect compelled him to regard them as having been sold to the bankrupt, and thus gave him a right to prove for the value. His Lordship, however, appears to have decided substantially that, when the clause operated at all, its effect was that the owner of the goods lost them absolutely, and had no right of proof in the bankruptcy. We should be interested to know how his Lordship would decide a case in which the amount of the goods in dispute was so great that they would—following his ruling in *Re Button*—provide a surplus after payment of 20s. in the £ and interest to the creditors. Would he hold that the surplus so created should go into the pocket of the bankrupt: or would he *then* admit that the true owner had some equitable rights in the matter? If the former, we may expect the enterprising alien to soon begin practising a new form of bankruptcy fraud, which will enable him speedily to amass considerable wealth.

The Jurisdiction of the Palatine Court. A point of some interest with reference to winding-up procedure in the Court of Chancery of Lancaster came before the Court of Appeal last week in *Re State Banking Corporation, Lim.*, the point being as to whether the Court could order service of proceedings on persons resident out of its jurisdiction. The question was, however, settled by Section 8 of the Court of Chancery Lancaster Act, 1854, which empowers the Court of Appeal, in all cases in which a person who may be a necessary or proper party to any suit or other matter in the Palatine Court not subject to its jurisdiction, either to order a transfer of the proceedings to the High Court or to direct service out of the jurisdiction of the Palatine Court. In the exercise of the power thus conferred upon it the Court of Appeal, in the case just referred to, ordered the service outside of the county of Lancaster of summonses for a balance order to enforce a call due from contributories.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Deeds of Arrangement—Stamp Duty.

(*To the Editor of The Accountant.*)

SIR,—I am trustee under a deed of arrangement, in a case where the creditors reside in various parts of England, and in order to avoid the necessity of sending the deed to each one for execution, a printed form of assent has been forwarded to, and signed by, each one. By the wording of the form the creditor constitutes me his attorney to execute the deed on his behalf. Is it necessary that this authority should bear a 10s. stamp as a power of attorney, or is it exempt from stamp duty as in bankruptcy?

Yours faithfully,

14th February 1907. A.C.A.

Deeds of Assignment.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent "A. F. D.," the point may be shortly put that where a debtor assigns his property for the benefit of his creditors *generally*, every creditor is entitled to the opportunity of assenting. The trustee is, therefore, trustee for the *whole* of the creditors of the debtor. If the trustee has the right to exclude any creditor, the deed is not one for the benefit of creditors generally.

I do not know of any case to the effect that where a creditor sends to a trustee notice that he has a claim, without specifically assenting, such notice will be tantamount to an assent as being an intimation to the trustee that he desires his claim to be dealt with under the administration. The question is, therefore, whether such conduct amounted to assent, and whether the deed provides that the assets shall be distributed among the creditors of the debtor, or only among those creditors who shall assent in writing before a given date. And, even if the latter, it is not necessary to assent in writing, and the trustee, having had notice of the claim, must give the creditor an opportunity of assenting before distributing the assets. If, therefore, he wrongfully excludes a creditor from assent, he will be liable, and a County Court action may be brought against him for the amount of the dividend.

The cases are mostly old ones, the most recent being a *nisi prius* decision at a Yorkshire Assize, reported in *The Accountant* about the year 1898.

The following cases deal with the question raised:—*Field v. Donoughmore*, 1 Dr. & War. 228; *Biron v. Mount*. 24 Beav. 649; *Raworth v. Parker*, 2 K. & J. 169; *Whitmore v. Turquand*, 3 De G. F. & J. 111; *Gould v. Robertson*, 4 De G. & Sm. 509; *Watson v. Knight*, 19 Beav. 369; *Broadbent v. Thornton*, 4 De G. & Sm. 65; *Field v. Cook*, 23 Beav. 600; *Forbes v. Limond*, 4 De G. M. & G. 298; *Nicholson v. Tutin*, 2 Kay & J. 18; *Dunch v. Kent*, 1 Vern. 260; and *Brandling v. Plummer*, 27 L.J. Ch. 188.

The question is purely a legal one, and I am giving only a layman's opinion upon it, but if your correspondent lays the whole circumstances before a solicitor, I think he will find the position to be as I have stated it.

Yours obediently,

DAVID P. DAVIES.

39 *van Driel Straat, Nijmegen.*
16th February 1907.

Valuation of Goodwill for Probate.

(*To the Editor of The Accountant.*)

SIR,—I shall be much obliged if you or any of your readers can tell me whether it is necessary to value the goodwill of a testator's business for purposes of probate. In cases of partnership it is usually settled by the partnership deed how much the deceased partner is entitled to for his share of goodwill, but in a business of which the testator is sole proprietor it is probable that there is some goodwill, but it is practically impossible to estimate how much it will realise. It seems to me that the rational way is to value the assets on a "going concern" basis, including nothing for goodwill, for, if the business is not sold as a whole, this valuation will, no doubt, be quite high enough; but I should be glad of a higher authority than mine on the subject.

Yours faithfully,

ENQUIRER.

Profits Prior to Incorporation.

(To the Editor of The Accountant.)

SIR,—A company is formed to take over a business as a going concern from the 1st January 1906. The company is not incorporated until the 31st March 1906. Under the contract of sale the profits of carrying on the business since the 1st January were to belong to the company. There is little doubt that the profit made between these dates (which is substantial) is not divisible as profit by way of dividend, but the point is whether it is permissible for the company to write off any portion of its preliminary expenses out of this profit. I am aware that it may be urged, on the one hand, in accordance with Professor Dicksee's views, that the purchase-price would be enhanced by reason of the company taking the profits as from the 1st January, but, as a fact, this is not so—the purchase-price was settled upon before the commencement of the year, and the profits up to the date when the company was incorporated played no part at all in the preliminary negotiations. It is not suggested that the profit made for this period is applicable for dividends, although in this particular instance it might reasonably be contended so. It would, however, appear to me that the directors would be quite justified in crediting to Preliminary Expenses the profit made for this period.

I should be glad to hear your views or the views of any of your readers on this point.

Yours faithfully,

15th February 1907. R. W.

Fluctuations and Profits.

(To the Editor of The Accountant.)

SIR,—The report referred to in your issue of the 9th inst. correctly gives my contention, although some of the figures I quoted are omitted. On p. 222 of the Treasurer's Abstract of Accounts for the year ending 31st March 1906 will be found the "Markets Department Balance Sheet," and on the liability side thereof particulars of the "Surplus and Sinking Fund," from which I quoted the following summary:—

Amount at March 1905	£592,454
Add Liquidation of Debt	6,722
,, Surplus Income	6,704
	605,880
Deduct Amount applied in aid of Rates..	11,000
	594,880
Net Increase, as ascertained by Quinquennial Valuation	59,025
	£653,905

The Markets Committee is a revenue earning department, and at the date referred to had £2,611 10s. 6d. in the bank, and £2,504 11s. 8d. owing by sundry debtors. There would, therefore, be no occasion to apply to the Local Government Board for a loan; ordinary revenue would find the gold.

But this is only a side issue in a more important question; and that is, should the "exchange value" of fixed assets be increased by quinquennial valuations, so long as they remain absolutely removed from the market?

I am, yours truly,

FRANCIS G. BURTON.

Manchester, 13th February 1907.

Exemption from the Institute's Preliminary Examination.

(To the Editor of The Accountant.)

SIR,—A point recently arose in my experience in connection with the above which I think is of interest to the profession, and the matter seems to me to be one calling for some amendment.

A clerk wished to be articled to me, and produced for the purpose of obtaining exemption a certificate of the Oxford Senior Local Examination Board, which set out that he had passed in Arithmetic, Religious Knowledge, History, Grammar, Composition, Literature, Geography, Latin, French, Mathematics, Higher Mathematics.

On presenting this certificate to the Institute, the Secretary informed me that it could not be received as an exemption, inasmuch as it did not contain Dictation among the subjects. In reply I pointed out that the candidate had already passed in Dictation as a *junior* candidate, and produced the Oxford Local Certificate in confirmation. I further suggested that the *Senior* Local Examination Board did not include Dictation in their compulsory subjects, possibly concluding that a candidate who had passed in the Senior Division in "Grammar, Composition, and Literature," might be fairly assumed proficient in so elementary a subject as Dictation.

The Secretary, however, stated that he could not grant exemption unless a certificate for Dictation were issued by the Oxford *Senior* Local Examination Board. As a consequence a special Dictation paper had to be sent in to a representative of the Oxford University; the candidate had to present himself for special examination; the Dictation paper was duly forwarded to the authorities at Oxford; the authorities at Oxford duly

certified the fact that the candidate had passed in Dictation; and the Secretary of the Institute in due course issued an exemption certificate, with a special entry upon it that the candidate (who had passed in all the before-named subjects) had satisfied the authorities in regard to his proficiency.

I suggest that, under the proviso of Bye-law 77, an option might be given to dispense with such an elementary subject as Dictation in the cases where the candidate had passed in the Senior Division of the Oxford and Cambridge Local Examinations. The present course of procedure seems to me one that gives prospective articled clerks and their principals unnecessary trouble, and to my mind is too strict an adherence to the letter of the law.

I am, yours faithfully,

February 19th 1907. A.C.A.

[It is a mere act of grace on the part of the Institute to allow exemption from the Preliminary Examination on production of other bodies' certificates. No doubt the Institute would infinitely prefer all candidates to pass its own Preliminary Examination.—Ed. *Acct.*]

Form of Accounts.

(*To the Editor of The Accountant.*)

Sir,—In glancing through the "Uniform System of Hospital Accounts," as revised and adopted by King Edward's Hospital Fund, on the report of Mr. J. G. Griffiths, I notice that in the model Income and Expenditure Account the income is placed to the debit, and the expenditure to the credit of the account.

I should be glad to know whether you consider this to be a correct method of stating such an account.

Yours faithfully,

19th February 1907. SECRETARY.

The Institute of Chartered Accountants in England and Wales.

The following is a list of applicants admitted, at the Council meeting held on the 6th February 1907, who completed their membership before the 21st. inst.:—

Former Member readmitted to Membership as a Fellow.

Robertson, Duncan Douglas, Moorgate Station Chambers, E.C.

Associates elected Fellows.

Bartholomew, Allen Gilbert (Monkhouse, Stoneham & Co.), 695 Salisbury House, London Wall, E.C.

Bradshaw, Edwin, 4 Egypt Street, Warrington.

Casey, Arthur Bertrand (Thomas H. Casey & Son), 24, 25, & 26 Pearl Buildings, Portsmouth.

Gath, Walter, Prudential Buildings, Queen Street, Nottingham.

Gray, Paul Hewson (Gray & Stainforth), 31 Lombard Street, E.C.

Martin, Thrale Coulson, Milburn House, Newcastle-upon-Tyne.

Moulson, John Marsden, 29 York Street, Sheffield.

Paterson, Edward (Ashworth, Mosley & Co.), 45 Spring Gardens, Manchester; and at Belfast and Bury.

Tingle, Frank (Tingle, Comber & Co.), 110 Cannon Street, E.C.

Winter, Robert Pearson (John M. Winter & Sons), 16 Market Street, Newcastle-upon-Tyne.

Admitted as Associates in Practice.

Myers, John, Junr., 14 Louis Street, Chapeltown Road, Leeds.

Revell, Frank Ethelbert (Revell & Revell), 69 & 71 New Street, Huddersfield.

Admitted as Associates not in Practice.

Adams, Henry Francis, clerk to E. P. Steeds, 20 Friar Lane, Leicester.

Adams, Tom James Bethell, clerk to Viney, Price & Goodyear, 99 Cheapside, E.C.

Allan, William Campbell, clerk to Monkhouse, Goddard & Co., St. Nicholas Chambers, Newcastle-upon-Tyne.

Aris, Joseph Leslie, clerk to Robert Pittman & Co., 6 Guildhall Chambers, 31 Basinghall Street, E.C.

Bailey, John, clerk to A. T. Chew, 1 Finsbury Circus, E.C.

Bairstow, Edgar, 8 Grandsmere Place, Halifax.

Bangham, Frederic Ernest, 86 Bryn Road, Swansea.

Bayley, Harry Alfred Lavender, clerk to David Smith, Garnett & Co., 22 Booth Street, Manchester.

Beadles, Horace Allies, clerk to J. & A. W. Sully & Co., 19 & 21 Queen Victoria Street, E.C.

Birkett, James, Junr., clerk to Harmood, Banner & Son, 24 North John Street, Liverpool.

Bland, Edmund Gains, clerk to Price, Waterhouse & Co., 3 Frederick's Place, Old Jewry, E.C.

Bowden, John Hope, clerk to Harper, Pilling & Harper, 23 Acresfield, Bolton.

Brandon, Vernon Gething, clerk to Morris, Gregory, Holmes & Hansford, Parr's Bank Buildings, 3 York Street, Manchester.

Broadhead, Edward Geoffrey, "Fernville," Goole, Yorks.

Bromiley, Harold, clerk to S. Horrocks, 9 Acresfield, Bolton.

Brown, Oswald Montague, clerk to Annan, Dexter & Co., 21 Ironmonger Lane, E.C.

Burtenshaw, Frank Aubrey, clerk to Cash, Stone & Co., 90 Cannon Street, E.C.

Cane, Herbert, clerk to Whinney, Smith & Whinney, 32 Old Jewry, E.C.

Carder, Frederick William, clerk to Thomas H. Gough & Wright, 267 Castle Street, Dudley.

Chandler, George Lee, B.A., clerk to Hamilton, Adams & Co., 16 & 17 Devonshire Square, E.C.

Claypole, Henry Miles Waller, clerk to Josolyne, Miles & Blow, 259 Rue St. Honore, Paris.

Clayton, Arthur Essen, clerk to T. A. Pearce, 47 South Street, Dorchester.

Clifford, Arthur Hennon, 34 Parliament Hill, Hampstead, N.W.

Cloutte, Herbert, James, clerk to Deloitte, Plender, Griffiths & Co., 5 London Wall Buildings, Finsbury Circus, E.C.

Clow, John Percy, clerk to J. Cherry, 13 New Street, Leicester.

Cobley, George Hugh, clerk to R. S. Cobley, 36 & 38 Southampton Street, Strand, W.C.

Cowell, Percy Septimus, clerk to James & Edwards, 5 Coleman Street, E.C.

Dean, Reginald, clerk to Edwin Collier & Co., Parr's Bank Buildings, 3 York Street, Manchester.

Dicks, Malcolm Pickard, 6 Belmont Villas, New Walk, Leicester.

Disley, Harold Rostron, clerk to Butcher, Litton & Pownall, 42 Spring Gardens, Manchester.

Edwards, Harold Victor, clerk to Hart Brothers, Tibbetts, Heiron & Co., 30 Moorgate Street, E.C.

Foster, Herbert Douglas, clerk to Armitage & Norton, Market Place, Dewsbury.

Freeman, Edmond Carlisle, clerk to Platts & Son, Oxford Buildings, Oxford Row, Leeds.

Freeman, Harold John Jourdan, B.A., clerk to Cooper Brothers & Co., 14 George Street, Mansion House, E.C.

Garratt, Austin, clerk to Lovewell Blake & Co., Hall Quay Chambers, Great Yarmouth.

Gittins, Frank Henry Albert, clerk to A. E. Percy, 2 Priory Street, Dudley.

Greaves, Stanley Haldane Linford, clerk to Chatteris, Nichols & Co., 1 Queen Victoria Street, E.C.

Hancock, William, clerk to Ball, Baker, Deed, Cornish & Co., 1 Gresham Buildings, Basinghall Street, E.C.

Hardwicke, Frank Harold, clerk to Walter & Smyth, Sutherland Chambers, High Street, Stoke-upon-Trent.

Hart, Ernest Parsons, B.A., 4 Salisbury Road, Wealdstone, Middlesex.

Hawthorn, Edward Dickenson, clerk to Jackson, Pixley, Browning, Husey & Co., 58 Coleman Street, E.C.

Heathcote, Frederic Lancaster, clerk to Heathcote & Coleman, 13 Temple Street, Birmingham.

Higgs, Ralph Douglas, clerk to Brown, Peet & Tilly, Bank Buildings, 1 High Street, Croydon.

Kirkham, Frank, clerk to P. & J. Kevan, 12 Acresfield, Bolton.

Leah, Samuel, clerk to Carnaby Harrower, Barham & Co., College Hill Chambers, E.C.

Ledgard, Reginald Armitage, clerk to Lloyd & Walker, British and Foreign Chambers, 5 Castle Street, Liverpool.

Lindley, Archibald, Junr., clerk to Middleton, Dann & Co., Marsden Chambers, 10 Marsden Street, Manchester.

Longbottom, John Singleton, clerk to Armitage & Norton, Station Street, Buildings, Huddersfield.

Lucas, George Henry, 94 Cheshire Road, Smethwick, Birmingham.

Major, Everard Pilkington, clerk to John W. Hinks & Cranmore Taylor, 3 Temple Row, West Birmingham.

Mason, Henry Harradine, clerk to C. F. Kemp, Sons & Co., 36 Walbrook, E.C.

Meals, John Reginald, clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.

Meares, Cecil Stanley, clerk to Cooper Brothers & Co., 14 George Street, Mansion House, E.C.

Morris, John Talwin, clerk to Knox, Cropper & Co., 16 Finsbury Circus, E.C.

Morton, James Herbert, clerk to Monkhouse, Goddard & Co., St. Nicholas Chambers, Newcastle-upon-Tyne.

Moxon, George Archibald, 398 Slade Road, Gravelly Hill, Birmingham.

Nesbitt, William Henry Alexander, B.A., clerk to E. Littlejohn, Wilson & Co., 85 Gracechurch Street, E.C.

Newson-Smith, Herbert Henry, clerk to Newson-Smith, Lord & Mundy, 37 Walbrook, E.C.

Owen, Ralph David, clerk to David Owen & Co., Bank Chambers, Devizes.

Parish, Walter Woodbine, clerk to Deloitte, Plender, Griffiths & Co., 5 London Wall Buildings, Finsbury Circus, E.C.

Pattinson, Ismay Graham, clerk to James Watson & Son, 24 Devonshire Street, Carlisle.

Phipps, Percy, clerk to Hays, Akers & Hays, 1 Queen Victoria Street, E.C.

Place, Richard, clerk to Bowman & Grimshaw, 26 Birley Street, Blackpool.

Plummer, William Paul, clerk to J. W. Davidson, Cookson & Co., 6 Castle Street, Liverpool.

Porter, John Aloysius, clerk to A. Whittaker, Parr's Bank Buildings, 3 York Street, Manchester.

Price, Martin, clerk to Viney, Price & Goodyear, 99 Cheapside, E.C.

Purton, Lionel Pardoe, B.A., 3 St. Peter's Terrace, Cambridge.

Robinson, Malcolm Hugh, clerk to George A. Touche & Co., Basildon House, Moorgate Street, E.C.

Rountree, Arthur FitzGerald, clerk to David Smith, Garnett & Co., 22 Booth Street, Manchester.

Smedley, Cuthbert Eric, clerk to Bolton, Pitt & Breden, 140 Leadenhall Street, E.C.

Smith, Johnson Parker, clerk to W. Bolton & Co., 13 Spring Gardens, Manchester.

Smith, Stanley Herbert, clerk to Whinney, Smith & Whinney, 32 Old Jewry, E.C.

Stanser, Waring, clerk to Hart, Moss & Co., 22 Moorgate Street, Rotherham.

Stevenson, Harold Beal, clerk to Ball, Baker, Deed, Cornish & Co., 1 Gresham Buildings, Basinghall Street, E.C.

Street, John Gwynne, clerk to C. P. Crookenden, 106 Fenchurch Street, E.C.

Stretch, Leonard Gordon, clerk to Bourner, Bullock & Co., Albion Street, Hanley.

Vellacott, Arthur Leslie, clerk to Arthur J. Hill, Vellacott & Co., 1 Finsbury Circus, E.C.

Wallis, Samuel Austin, B.A., 64 Melton Road, West Bridgford, Nottingham.

Whyte, Andrew, Junr., clerk to W. Arthur Smith, Commercial Chambers, 71 King Street, South Shields.

Wild, Norman Ward, clerk to Franklin, Wild & Co., 22 & 23 Broad Street, Avenue, E.C.

Wood, William Threlkeld, B.A., clerk to Annan, Dexter & Co., 21 Ironmonger Lane, E.C.

Wyllie, Hugh William, clerk to Morrish, Grant & Co., 48 Gresham Street, E.C.

Yeoman, Lewis James, clerk to Clark, Battams, Lanham & Co., 7 St. Mildred Court, Bank, E.C.

The Birmingham Chartered Accountant Students' Society.

(Affiliated to the Working Union of Students' Societies in England and Wales.)

Spring Session, 1907.

President—Mr. Walter Charlton, F.C.A.

Hon. Secretary.—Mr. P. F. Barker, 23 Colmore Row.

Feb. 15 (Friday).—Lecture, "Some Mixed Questions of Law and Accounts." By Mr. S. S. Dawson, F.C.A. Chairman: Mr. J. W. G. Hill, F.C.A. (a Vice-President.) (This meeting will, by kind invitation of the Chairman, be preceded by tea at 6 o'clock.)

Feb. 26 (Tuesday).—Debate:

(*a*) That the relief afforded by the Bankruptcy Acts should be extended only to debtors engaged in a trade or business, and in respect only of debts contracted in the ordinary course thereof.

(*b*) That an amendment of the Bankruptcy Law is desirable to make the following misdemeanours punishable by imprisonment:

(1) Trading for a period of six months after becoming insolvent.

(2) Insolvency caused by extravagant living, gambling, negligence, or commencing without capital.

Chairman: Mr. Luke J. Sharp, F.C.A. (This meeting will, by kind invitation of the Chairman, be preceded by tea at 6 o'clock.)

Mar. 12 (Tuesday).—Lecture, "Some Points Relating to Probate and Letters of Administration." By Mr. Wyndham H. Malins, B.A., Solicitor. Chairman: Mr. Walter T. Owen, F.C.A. (This meeting will, by kind invitation of the Chairman, be preceded by tea at 6 o'clock.)

,, 19 (Tuesday).—Joint Debate with the Birmingham Law Students' Society, at the Law Library, Bennett's Hill. (Particulars to be announced later.)

,, 26 (Tuesday).—Lecture, Joint-Stock *versus* Private Ownership of Businesses: Some Practical Differences in their Commercial Possibilities." By Mr. W. R. Hamilton, F.C.A. Chairman: Mr. G. O. H. Smith, A.C.A. (This meeting will, by kind invitation of its Chairman, be preceded by tea at 6 o'clock.)

President's Address and Annual Meeting. (Date to be announced later.)

All meetings, lectures, and debates will be held at the Chartered Accountants' Library, 8 Newhall Street, Birmingham, at 6.30 p.m., unless notice is given to the contrary.

Smoking at Debates.

Members will, subject to the Chairman's consent, be allowed to smoke at debates.

TUITION CLASSES FOR ARTICLED CLERKS.

The following classes are held at the Birmingham and Midland Institute (Room No. 5), on Saturday mornings, commencing June 8th 1907 until May 3rd 1908:—

Accounting, Intermediate—By Mr. W. H. Lovatt, A.C.A., from 10 to 11.15.

Accounting, Final—By Mr. S. S. Dawson, F.C.A., F.C.I.S., F.S.S., from 11.15 to 12.30.

Law—By Dr. D. F. de l'Hoste Ranking, M.A., LL.B.; Intermediate, 10 to 11; Final, 11 to 12.

The fee for these classes is £5 5s., which entitles the student to attend during his articles the whole course of lectures provided, and no reduction can be made for students not taking the full course.

Full particulars may be obtained upon application from the Hon. Secretary.

PRIZES OFFERED BY THE SOCIETY

(To Members only).

Revised September 1898.

Final Examination.

First Placed Man (in England and Wales) ..	£3	3	0
Second " " " " "	2	2	0
Third " " " " "	1	11	6
Certificate of Merit	1	1	0

An additional Prize of £2 2s. will be awarded in the event of any of the above obtaining an Institute Prize.

Intermediate Examination.

First Placed Man (in England and Wales) ..	£3	3	0
Second " " " " " ..	2	2	0
Third " " " " " ..	1	1	0

The above Prizes, to be given in the form of books, will be presented at the next ensuing annual dinner.

Reviews.

My Financial Affairs.

London, 1907: Chas. Letts & Co., 3 Royal Exchange, E.C. Price 10s. 6d.

We gather from the title-page that the system upon which this book is based, which is variously called the Block System and the Robinson Method, is something new, but although we have never seen anything quite like it, we do not think that it embodies a single absolutely novel idea. For all practical purposes it may be described as a Tabular Cash Book, with bank columns, providing for the analysis of expenditure partly upon the columnar system and partly by means of additional columns enabling a more detailed description to be appended to each individual item where necessary. At the same time the work, which is well got up, and bound in half-basil, will be found convenient for the record of the private accounts of the busy man of affairs.

Check Numbers, and other Aids to Balancing Books of Account.

By T. J. MILLAR, M.A., L.L.B., C.A.

Edinburgh, 1907: Geo. Waterston & Sons. Price 5s. net.

Those of our readers who have been interested in the correspondence on Check Figures which appeared in our columns a short time since will doubtless find this little handbook of interest. The author has apparently been at some pains to inquire fully into the matter, and his conclusions, while upon the whole apparently favourable, are by no means one-sided, and are always interesting. His system claims to be able to instantly detect errors in posting the wrong amount, in posting to the wrong side or in posting to the wrong account, and to enable calculations in simple and compound arithmetic to be speedily verified. Certain new methods are suggested, while older and useful methods of checking are explained.

Bank Balance Sheets.

By MR. R. H. INGLIS PALGRAVE, F.R.S.

AT the meeting of the Institute of Bankers on February 13, Mr. J. Spencer Phillips (the President) in the chair, Mr. R. H. Inglis Palgrave, F.R.S., read a paper on "Bank Balance Sheets."

Referring at the outset to recent papers by the President and Sir Felix Schuster dealing with the present position of banking and the advisability of some alterations in method and of additions to the specie reserve, Mr. Palgrave said there were many reasons which rendered a reconsideration of the whole subject of the reserves advisable at the present time. Among these were several domestic reasons, as the course of the foreign trade of the country, the growth of the deposits in the banks, and the increase in the number and importance of bank offices. There were also many reasons external to this country, such as the increasing wealth and banking power of other countries, and the greater number of nations which employed a gold standard. All these circumstances caused the demands for currency and general business purposes to become more urgent and heavier, and the need for an increased

specie reserve to be greater. The figures of the reserve of the Bank of England in averages of ten years from 1845 to 1904 were as follows:—1845-54, £9,211,255; 1855-64, £8,487,116; 1865-74, £11,177,150; 1875-84, £13,669,000; 1885-94, £15,480,000; 1895-1904, £25,180,000. To this he had added the averages of the balances of the London bankers kept with the Bank of England for the corresponding periods as far as he could trace them. The latest date he could give was the year 1877. The particulars had not been published later, but it was much to be desired that they should be. The figures obtainable were:—1845-54, £2,023,000; 1855-64, £4,139,000; 1865-74, £7,081,000; 1875-77, £10,572,000. The considerable strengthening of the reserve of the Bank during the sixty years over which this statement extended would be noted, but it would be observed that while the reserve of the Bank of England had only increased on an average one-fifth between 1845 and 1874, the bankers' balances with the Bank of England had increased to an amount three and a-half times as large during the same period, and later on, from 1875 to 1877, much more rapidly. Had the statement been continued to the present time he felt certain that the increase of the bankers' balances would have been shown to be far larger in proportion than that of the Bank reserve since 1877. These figures would show, though necessarily imperfectly, that some preparations had been made to meet existing requirements.

Monthly Statements.

The subject of Balance Sheets appeared at first sight quite elementary, but it was capable of a great deal of development; it was closely connected with the wider questions of reserves, and also with the maintenance of a good system of banking. The first object in preparing a Balance Sheet was to be careful that it gave an exact and true statement of the position of the business of the bank at the date to which it referred. It was as important and useful to the banker himself as to his shareholders and customers. Referring to the publication of monthly statements by "twelve very considerable banks," the lecturer said that these banks carried on business in very different districts. One confined its business entirely to London and the suburbs, ten did business in London and the provinces, one was, strictly speaking, an Irish bank. Their average holdings of money in hand and at the Bank of England amounted to 15 per cent. of their liabilities or deposits. Taking their money at call and at short notice with the money in hand and at the Bank of England the proportion held was nearly 30 per cent. of the liabilities. Though they were very important banks, they did not hold half the deposits of the banks of the United Kingdom among them. To be of real service the statement should include all the banks of the country.

Mr. Palgrave suggested a new form of monthly statement, containing more information than the one now in use. In this form the amount of cash in hand was separated from the balance at the Bank of England. If banks were willing to publish the amount of their average balances at the Bank of England this would clear the ground greatly. He feared that this proposal might come as a shock to some, though, after all, it was not a more private matter than the amount of the cash in hand, and one or two banks did it already. Were banks willing to do this, the publication of the amount of bankers' balances with the Bank of England would be ensured. After speaking in favour of the figures in the monthly statements being based on daily or weekly averages, the lecturer proceeded to deal with the form of the Balance Sheet, expressing the view that it was a good plan to enter the amounts of deposits separate from the amounts on current account. Where foreign bills were dealt with it was advisable that the banks should enter the foreign bills negotiated separately. It was also desirable that the inland bills held should be divided between those that had less than three months to run and those held for a longer period, and it would be advisable to separate brokers' bills—security bills, as they were sometimes denominated—from others bills, but though he was convinced this was the right course to take, he hesitated to make a suggestion which might not be generally acceptable. The greatest differences he had noticed in entries in the Balance Sheets had been in the descriptions of the amounts held in cash at call and at short notice. Banks sometimes entered securities, such as Consols, under these heads. Consols were certainly securities of the highest character, but that did not make them "liquid" assets, which were what should be entered in that part of the Balance Sheet. A uniform system of entries under this head was very advisable, and also as to the amounts held with the Bank of England, and in "actual money," meaning by money, notes of the Bank of England, and specie. It was very desirable that the notes of the Bank of England held by other banks should be entered separately in the Balance Sheets. They might gain in some ways a clearer idea of what banking Balance Sheets meant by rendering the amounts of the different headings—Capital, Deposits, &c.—in percentages of the totals. There were banks carrying on business in different parts of the country in which this method of computation was followed out. By dividing the amounts in this manner they could see at a glance what the proportion of the advances made to the customers was to the deposits—that was, to the resources of the bank. Dissecting the amounts thus, they sometimes found banks carrying on most excellent and solid businesses which, nevertheless, had made such heavy advances to their customers that they could hardly be said to hold a sufficient quantity of liquid assets to make them

safe in case of a sudden demand. One might sometimes even come upon cases which appeared to show the advisability of the amalgamation of a bank so circumstanced with another whose resources were not set fast so completely. A great deal might be learnt as to the allocation of the profit earned by a bank and other details as to the business by dissecting the accounts in this manner.

Uniformity Urged.

The whole question was a very large one, and a good deal might be said about the best form of Balance Sheet to be adopted. It was desirable that all the Balance Sheets should be arranged on one uniform plan, which should be universally accepted by all the banks in the country. If this were done, many questions which now presented difficulties might be easily arranged. In considering this they had first to remember what the banks were which had to be dealt with. Banks, in the United Kingdom, varied in size as much as, if not more than, in any country of the world. To commence with the Bank of England, its total figures ran up to about £95,000,000. To take other instances and the figures conveniently to hand, Lloyds dealt with assets of nearly £76,000,000. The London City and Midland had £63,500,000, the London and County £51,000,000, Barclays' £50,000,000, the Union of London and Smith's £46,000,000, the London and Westminster nearly £35,000,000. These banks were either metropolitan and suburban or metropolitan and provincial. Amongst those banks which carried on business only in the provinces, there were some very large figures: the Bank of Liverpool £14,500,000, the North and South Wales Bank £13,000,000, the Manchester and County £12,000,000, and the Wilts and Dorset and the York City and County dealt with very nearly equal amounts. These were examples of the larger banks. There were some banks holding very much smaller amounts, under £400,000, and even smaller. The total assets, omitting the Bank of England, were, in round figures, £1,000,000,000. This amount was divided amongst about ninety banks, the scope of whose business extended, in some cases, over very large districts, and in others was quite small and local. Yet, as the business was identical throughout, it ought not to be impossible to arrange a Balance Sheet which should meet all the different requirements. There need not be the same number of headings in all cases. In some of the smaller banks, headings which were mainly applicable to metropolitan institutions would not be needed. The subject was one of considerable importance, and it would be a pleasure to him if what he had said was of assistance in drawing up such a form as might be generally used throughout the United Kingdom. The subject might be considered by such a committee as Sir Felix Schuster had suggested, or, if that were more occupied with larger questions, the Council of the Institute of Bankers, working with the committee of the Country Bankers' Association, might undertake it, and obtain the acceptance of a uniform plan. This would have many advantages over a form enjoined by an Act of Parliament. Such a form was necessarily rigid. A business might frequently alter in details, and it might not be easy to fit the present position into a form perhaps fifty years old or older. He had known of cases in which a form of Balance Sheet enjoined by Act of Parliament, now practically out-dated, was employed, and where the accounts would be distinctly more intelligible if a form adapted to the present working could be used. He trusted, therefore, that banks might be able to agree among themselves on the form of a Balance Sheet which might be generally acceptable.

In the discussion which ensued Mr. Hansard suggested that, in view of the varying kinds of business done by the different banks, if there were legislation on the subject, considerable latitude must be given to any one bank to supplement official lines of information. He hoped that in any attempted legislation considerable caution would be exercised.

Sir Felix Schuster said he was sorry the word "legislation" had been used. (Hear, hear.) He hoped they would arrive at some conclusion which would make legislation absolutely unnecessary. It would be a reproach to bankers if they did not manage their affairs sufficiently well, so that Parliament had to come in and legislate for them.

Cordial thanks were voted to Mr. Palgrave for his paper.

(*Financial Times.*)

Bankruptcy Reform.

By Allen Edwards.

(From *The Jeweller and Metalworker.*)

Causes of Insolvency.

In this, the second portion of our article upon "Bankruptcy Reform," we propose to consider "Prosecutions," a subject which, perhaps, is of greater importance to jewellers than to most other traders, because of the facility, readiness, and secrecy with which the extremely valuable articles dealt with in the trade can be fraudulently passed on from hand to hand. Before commencing, however, to deal with a most difficult and complicated question, it may be useful for us to consider for a moment what are the causes of insolvency. These causes are variously given, on the one hand, by the debtors themselves, and, on the other, by Official Receivers and non-official investigators who report upon their affairs.

Some of the causes with which we are most familiar, and which we meet with day after day, year after year, are as follows, viz., bad trade; bad times; bad debts; increased competition; stoppage of credit; illness of debtor, wife, or children; shortness of capital; bad bookkeeping; speculation; betting; living beyond means; increased cost of raw materials; &c. &c. We know these stereotyped excuses only too well, but those of us who have been for many years attending meetings of creditors, and who see the debtors personally (wretched looking objects, many of them) and are able to judge, both by appearances and by the facts disclosed at their meetings, in a very large number of cases, in our own minds come to the conclusion that the real causes of their insolvency were want of commercial knowledge or experience, lack of business acumen, and sheer inability to take the lead in or to manage any business under the sun. In many such cases it is difficult to sympathise with creditors for having trusted such manifestly ignorant and untrustworthy persons. Thousands of these debtors do not possess brains enough to commit fraud, even if they wished to do so. In some cases more goods than they required may have been forced upon them by travellers eager to do business. In some cases the debtors may have been compelled to go into business on their own account, simply and solely because of their being unable to obtain any employment, and being naturally obliged to do something to try to maintain their families. It is only right that these, and many other similar points, should be taken into consideration when dealing with the subject of "Prosecutions." You cannot very well deal in bankruptcy with a poor vacant fool in the same way as you would with a hardened knave.

Pawning.

The subject of pawning is one of permanent interest and importance to the jewellery trader. It cannot be disputed that the facility with which articles of jewellery, invoiced or sent out upon approbation, can be pawned is at all times a very serious risk which traders have to consider and allow for. You cannot stop pawning. The business of a pawnbroker is in England legalised by Act of Parliament, and there is no reason to doubt that pawnbrokers are just as honourable a body of traders as are drapers, grocers, or others. In some countries, under the name "Mont de Piété," the business of pawnbroking is carried on officially by the Governments concerned. It is hardly to be expected that bankruptcy legislation, as regards the pawning of jewellery articles, can be very different to legislation as regards other classes of merchandise. If the wife and family of any trader are absolutely in want of food, and he pawns a few articles out of his stock to keep them from starvation, how would you deal with such a man? Again, if a trader is disappointed in receiving a remittance upon which he was relying for the purpose of meeting a certain bill, and the remittance does not come to hand, and he, for once in his life, pawns a few articles for £20, and uses the proceeds of the pawning for meeting the bill, how are you going to deal with such a case as this? And there are many other similar cases. It may be contended that if a man steals a loaf of bread wherewith to feed his starving wife and children, he still has to suffer the penalty of the law, but it is doubtful if magistrates and juries will ever consider pawning for small amounts as an offence to be dealt with as rigorously as stealing, because they will remember that there is nearly always a quasi-partnership between debtor and creditor, both being interested in the sale by the debtor of the goods sold to him by the creditor. To put this in other words, the customer is oftentimes a sort of distributing agent of the supplier.

Let us now consider what is the existing legislation as regards bankruptcy prosecutions for pawnings. The Debtors' Act, 1869, provides:—

> "That any person adjudged bankrupt shall be deemed guilty of a misdemeanour, and if convicted thereby shall be liable to be imprisoned for any time not exceeding two years, with or without hard labour, if within four months next before the presentation of the bankruptcy petition by or against him, he being a trader, pawns, pledges, or disposes of otherwise than in the ordinary way of his trade, any property which he has obtained upon credit or has not paid for, unless the jury is satisfied that he had no intent to defraud."

In the Birmingham Jewellers' Association's report, already referred to, it is advised that pawning transactions on the part of a debtor while insolvent and within six years of bankruptcy, should be punishable by imprisonment. In the opinion of the writer this recommendation does not present itself as a very workable way out of the difficulty which undoubtedly presents itself. In the first place, it might be an almost impossible task to prove before any Court that a debtor was insolvent five years before. In the second place, it might be extremely difficult to collect together the witnesses of a transaction of five years ago, and, moreover, the articles themselves would rarely, if ever, be available for identification. In the third place, a pawnbroker is not obliged to preserve his records more than three years after the completion of sales of unredeemed pledges. In the fourth place, six years is, in the writer's opinion, too long a period altogether, to hark back upon. Further, in considering the Birmingham Jewellers' Association's recommendation that the controlling words in the Debtors' Act, "unless the jury is satisfied that he had no intent to defraud," should be deleted, the writer's opinion is that the deletion of such a clause might almost amount, so far as bankruptcy prosecutions are concerned, to the abolition of trial by jury, which is one of the great bulwarks of our constitution. If traders, bankrupts, or debtors are liable to be prosecuted for pawn-

ing, without proper benefit of jury, there must be a legal distinction drawn between honest pawning and dishonest pawning. No jury in the world would convict a man, even if insolvent, if he pawned a few goods to keep his wife and family from starvation, and no English Legislature would countenance such a hardship. At least, this is what the writer believes.

If we are, in relation to the jewellery trade, to consider the question of fraudulent or improper pawning, why should not our proposed legislation be made to apply *whether the pawner be bankrupt or have "failed"* or not? In the writer's judgment pawning offences may be committed, and may be just as flagrant, whether the pawner have become bankrupt or have executed a deed of assignment, or even have not suspended payment. That is to say, under some circumstances, it should be possible to prosecute traders who have not "failed" for improper pawning. Thousands of insolvent men never "fail." Their cases just "slide," because it may not answer anybody's purpose to pull them up. As to what should constitute fraudulent pawning is a puzzle which the writer hardly feels justified in attempting to solve. To start with, however, he would make it absolutely essential for any trader, solvent or insolvent, pawning *any portion of his trade stock*, to enter the fullest details in a book ruled specially for the purpose. In the article on July 15 1905 the writer referred to the books which have to be kept in accordance with the "Act for Regulating the Business of Dealers in Old Metals," dated August 6th 1861. Under certain circumstances, dealers in old metal are compelled to keep books in the form prescribed, with full particulars as to purchases and sales. It is somewhat on these lines that the writer would proceed in the case of pawning transactions. The particulars to be entered should include a full description of the goods, date of pawning, date of purchase, name of firm from whom purchased, whether paid for, name of pawnbroker with whom pawned, amount of advance, rate of interest, how the money, the proceeds of the pawning, was disposed of, &c. &c. The keeping of these pledge books by jewellery traders might be a protection to the pawnbroker, because, in the case of a doubtful pledge being offered by one known to be a jewellery trader, the pawnbroker could ask for production of the book.

It should be a misdemeanour to pawn any goods, not paid for, within one month of acquiring them. This would probably put a stop to obtaining goods for the express purpose of pawning them. It should be a misdemeanour for a trader to pawn goods, which have not been paid for, within six months of the commencing of the insolvency proceedings—that is, where the total amount borrowed in all the pawnings amounts to £25 or upwards. The giving of an acceptance for the goods ought not to be considered as payment unless the bill has been actually met. At present, there is some doubt as to this point. To continue, it should be *a most serious misdemeanour* to pawn goods (trade stock) where the full particulars of the goods pawned are not entered in the debtor's books in the prescribed form as herein recommended, and each entry signed by the principal, *or where the books are not forthcoming or available*, and the penalty under this misdemeanour should be greater than the pawning offence which it is sought to hide. And the entries in the book should be absolute *legal evidence* against the pawner. This would effect a saving of 50 or 60 per cent at least in the expenses of prosecutions, because it would obviate the necessity for producing the pawned goods, or of calling as witnesses the supplier of the goods, or the pawnbroker, and the pawner would not be able to plead that the goods had been pawned without his knowledge. The enormous difficulties of pawning prosecutions under the existing law are referred to later in this article. It would be a great gain to pawnbrokers and others not to be obliged to attend to give evidence in these prosecutions.

A difficulty which is frequently experienced by insolvency trustees as regards pawned goods is that pawnbrokers sometimes refuse to allow the goods to be inspected, unless the interest up to date is paid. Other pawnbrokers, however, take a more generous view of their position, and will allow inspection. Probably there would be no objection to legislation making it compulsory upon pawnbrokers to show pawned goods to legally appointed trustees on, say, not more than three occasions. A sufficient fee (say 2s. 6d. per pledge) should be payable to the pawnbroker to recoup him for the trouble he may be put to. Moreover, inspection should only be allowed to the trustee or his duly authorised agent, for it would hardly be fair to the pawnbroker for the trustee to be permitted to send all sorts of possible buyers to view the goods in order to ascertain if they were worth redeeming or not.

The recommendations herein as to pawning are intended to include pledging or dealing with goods otherwise than in the ordinary way of the particular trade. The "goods" should include warrants and other easily assignable delivery orders for goods.

The writer admits that the whole subject of pawning is full of difficulties, and that it is quite possible that some better ways may be found than those herein suggested of dealing with these difficulties.

Betting.

Betting is not a misdemeanour in bankruptcy according to any existing Act of Parliament. The Birmingham Jewellers' Association's report would make it punishable by imprisonment:—

"For the bankrupt not to have kept proper records of "his betting transactions for, at any rate, such period as "his books show him to be insolvent."

For losses by betting while insolvent.

While we admit that the question of betting calls for serious consideration, it is, like that of pawning, full of difficulties. No Act of Parliament will ever put a stop to betting in this country. Moreover, we have to consider what, under a Bankruptcy Act, would be defined as betting. Hundreds and thousands of Stock Exchange transactions are in the nature of "betting." The operating in "futures," and the purchase of more copper than you want in the belief that the price will rise are in the nature of "betting." It would be extremely difficult to define betting for the necessary purposes of bankruptcy prosecutions. Men will bet upon horse races, upon football, cricket, and other matches, upon pugilistic or other encounters, and upon the thousand and one events involving trials of strength or skill, or uncertainty, which are constantly arising. How is all this betting to be defined? Perhaps the case might be met by making it a misdemeanour if it can be proved that a bankruptcy has been partly caused by betting or unwarrantable speculation; but this not to apply unless it can be shown that the betting losses amount to £50 or upwards.

In considering the whole question, however, it should be borne in mind that the tendency to betting is inherent in human nature, and that of every twelve jurymen in any case, there will probably be two or three betting men among them, at the very least. The recommendations of the Birmingham Jewellers' Association require modification. Is it not too much to expect of any man that he will make an entry in his books if, say, he risks 3s. on a horse race? And among the hundreds of thousands of betting transactions at what sum or sums will you draw a line? And, moreover, there must be thousands of men respecting whom it would be difficult at any time to say if they were solvent or insolvent. The class of men who bet are hardly those whose books would *show* they were insolvent, because the bookkeeping of such persons rarely goes so far as the preparation of Balance Sheets. While admitting the principle to be correct (if "betting" can be defined) that bankrupts should be liable to imprisonment, if it can be shown that their betting losses have been considerable or appreciable, there must be some limit. Perhaps the best way out of the difficulty is for the trader to avoid the betting man. A traveller will generally be able to find out which of his customers are betting men and which not.

Bookkeeping.

The Jewellers' Association's report would make it punishable by imprisonment:—

"For the bankrupt not to have kept proper books dis-"closing his position for six years prior to his "bankruptcy."

Failure to keep proper books is not a misdemeanour under the Debtors' Act of 1869; but, according to the Act of 1890, a bankrupt's discharge may be refused or suspended on proof:—

"That the bankrupt has omitted to keep such books of "account as are usual and proper in the business carried "on by him, and as sufficiently disclose his business trans-"actions and financial position within the three years "immediately preceding his bankruptcy."

The writer is of opinion that it is very questionable if any jury would to-day convict for want of proper bookkeeping, for in any ordinary jury of twelve men probably not more than one-half of them would be good bookkeepers. And, moreover, how could "proper" bookkeeping be defined? If you seek to imprison a *bankrupt* for the want of good bookkeeping, why should a trader *who is not bankrupt*, but who may be insolvent, and who does not keep proper books, escape? To only seek to punish *the bankrupt* is something like locking the stable door when the horse is gone. Would not the Birmingham Association, and, in fact, all trade associations in the country, be doing good service by encouraging the teaching and practice of good bookkeeping? For more than two years the importance of the subject of bookkeeping has been urged in the columns of this journal, but, so far, it cannot be said that the associations promoted to assist the jewellery trade have given much encouragement to the movement. If it is decided to punish a bankrupt for lack of proper bookkeeping, at any rate let there be some means afforded whereby young men in the trade are encouraged and enabled to cultivate the practice of good bookkeeping. The question should be dealt with *before bankruptcy is reached*. This is one way to prevent bankruptcy. Traders might be *compelled to keep certain books*, as is, the writer believes, the case in France. The times are not, however, yet ripe for prosecuting poor debtors for not doing that which they have not been taught or encouraged to do. The Birmingham Jewellers' Association's recommendation, in the writer's judgment, is, at present, hardly practicable, and six years is rather too long a time for a bankrupt to be liable for.

It might, however, be made a misdemeanour if it can be shown that a bankrupt had wilfully refrained from keeping proper business records (or if his books are not available). Some traders even go as far as this, so that their books shall not be evidence against them for income-tax purposes.

Jurisdiction.

The Birmingham Jewellers' Association's report would give additional powers to Registrars. This view is in-

accordance with the writer's own opinion, and was urged in a paper upon the subject of "Bankruptcy," written in the year 1889, from which the following is an extract, viz.:—

"Why should not bankruptcy prosecutions be conducted "before County Court Judges instead of before magis-"trates? I cannot see any objection to our County Courts "acting as criminal Courts in bankruptcy matters."

The writer also in a paper written in 1895 further dealt with this subject.

By the courtesy of the Inspector-General in Bankruptcy the writer is enabled to give the following figures, viz.:—The number of bankruptcies under the Act of 1883, to the end of the year 1905, was 94,283. Out of this number 889 prosecutions, ordered under Section 166 of the Act, were dealt with finally by the Court to the end of 1905, 661 resulting in convictions and 228 in discharge by the magistrates or acquittal.

It cannot be contended from these figures that the penal clauses of the Bankruptcy Act have, so far, been very largely made use of, or have been very successful. Section 166 reads as follows, viz.:—

"Where the Court orders the prosecution of any person "for any offence under the Debtors' Act, 1869, or Acts "amending it, or for any offence arising out of or con-"nected with any bankruptcy proceedings, it shall be the "duty of the Director of Public Prosecutions to institute "and carry on the prosecution."

The present procedure necessary for a prosecution in bankruptcy is, in the writer's judgment, unnecessarily cumbersome, and oftentimes enables a bankrupt to make good his escape before the proceedings reach that stage where an arrest can be made. First, an application, supported by proper evidence, has to be made before the Judge for an order to prosecute. Upon this order an application for a warrant or summons can be made to the magistrates. If the warrant is executed, or the bankrupt is otherwise available, there are the usual proceedings before the magistrates antecedent to a committal. These proceedings may be several times adjourned and on all occasions the trustee, his solicitor, and all his witnesses may have to be present. If the magistrates commit the bankrupt for trial, then the trustee, solicitor, and witnesses have to be in attendance, both to go before the grand jury, and, if a true bill is found, to go before the Recorder or Judge. This may involve, in one prosecution, a large number of persons waiting about for very many days and at a distance from their homes. Let us assume that the trustee and the creditors reside in Birmingham, and that the debtor's place of business is in Newcastle, and that he has pawned goods, the subject of the prosecution, in York. The proceedings have to be taken, first, before the local County Court, and, secondly, before the local bench of magistrates, and further, in case of committal, before the Judge or Recorder. The trustee has generally to be in attendance on all occasions. The creditor who supplied the goods, or someone from his place of business, must be present on all occasions to identify the goods pawned. The pawnbroker, or someone from his place of business, must attend on all occasions to prove the pawning. Further, as it is not wise in pawning cases to rely upon one case of pawning only, several cases may be the subject of one indictment. This may involve the attendance of other creditors and other pawnbrokers. Moreover, the difficulty of identifying pawned goods is very great. The trustee, in such a case as we have suggested, would have to obtain particulars of the pawnings from the debtor's books or other records. He would himself probably have to visit the various pawnbrokers' establishments to endeavour to identify the goods—a matter of no small difficulty where so many pawnbrokers refuse to show the goods unless the interest is paid. Even then, however, the trustee himself might not be able to identify the goods without the assistance of someone from the suppliers' offices. This might involve the attending at York or other towns of several creditors. It will be seen from the foregoing how full of difficulty at present is this question of pawning prosecutions. Moreover, the scale of allowance to prosecutors and witnesses is very poor. Clerks, shopmen, assistants, and jewellers are allowed 5s. per day; merchants, manufacturers, wholesale dealers, and accountants 7s. per day; experts and valuers, 10s. 6d. per day. Five shillings per night is allowed for lodgings, and third-class railway fare is also allowed. These allowances include attendances before the magistrates as well as at sessions or assizes. It will be seen that they are not very remunerative, and those persons who have once been concerned in a prosecution such as we have described are not as a rule particularly eager to embark upon another. There is no doubt that the procedure requires to be simplified. There is, moreover, another difficulty. The Registrar is empowered to grant warrants for the arrest of a bankrupt, but it is found by experience that police officers are oftentimes very much averse to arresting persons under such warrants. If, therefore, you want your man arrested, it is much better, under the existing regulations, to arm the police with a magistrate's warrant. That is, if you want them to show any amount of enthusiasm in your cause. The writer has long been of opinion that Registrars should have full powers of committal for trial for bankruptcy misdemeanours, and that County Court Judges should have criminal jurisdiction as regards offences where the punishment cannot be greater than two

years' imprisonment, and that there should, in such cases, if desired, be a right of appeal to a Divisional Court. The County Court Judge, sitting as a criminal Judge, should have a jury of twelve persons associated with him, as in other criminal Courts. A County Court Judge, in bankruptcy matters, ought to be as good as an ordinary Recorder, and ought to inspire as much public confidence.

Section 165 of the Act of 1883 does give certain "criminal" powers to bankruptcy tribunals, but for reasons which need not be here stated these powers are admittedly insufficient for any practical purposes.

The Treasury.

We have quoted Section 166 of the Act of 1883, by which it will be seen that where the Court orders a prosecution it is the duty of the Director of Public Prosecutions to institute and carry out the prosecution. "By the Court" of course means any Court having bankruptcy jurisdiction. The Director of Public Prosecutions is attached to the Treasury. The assistance which the Treasury lends in such matters is not really very great, extending as it does chiefly to the payment of the legal charges for the actual proceedings before the Courts. Naturally, each case has to be worked up and the evidence collected *before even an order to prosecute can be applied for*, and the Treasury will not pay for this. In the writer's judgment the Treasury should be relieved of their bankruptcy work, and it should be transferred entirely to the Board of Trade, who naturally would better understand and take more interest in it than the Treasury can ever be expected to do.

The Bankruptcy Bill of 1890.

Many of the indictable offences under Section 11 of the Debtors' Act, 1869, must have been committed "within four "months next before the presentation of the bankruptcy "petition." The Bankruptcy Bill of 1890, Section 21, would have extended this period of four months to six months. This portion of the Bill, however, was thrown out. The only penal clause in the Bill of 1890, as this was, was not carried, thus affording an illustration of the general disinclination of the Legislature to add to or extend existing criminal legislation as regards bankruptcy offences.

Other Offences.

There are many indictable offences included in the Debtors' Act, 1869, other than those which we have referred to, as, for instance, not delivering up all property or books or documents; concealing property; fraudulently removing property; material omission in statement of affairs; not informing the trustee of any false proof of debt which may have been submitted; preventing production of books or documents; mutilation or falsification of accounts; making false entries in books; putting forward fictitious losses; obtaining property on credit by false pretences, &c. &c. The writer does not propose to deal with these points. There is not a great deal of difference of opinion upon them, and probably not a great deal of further legislation is required as regards them.

Finally.

Upon the subject of bankruptcy prosecutions it should be remembered that the present results of such prosecutions generally are very unsatisfactory, and out of all proportion to the amount of time, trouble, and expense bestowed upon them. The best way to steer clear of such cases is to steer clear of insolvency. When we consider the reckless manner in which some jewellery traders will give credit to poor ignorant debtors, we cannot help but come to the conclusion that they are themselves oftentimes somewhat to blame for their customers' misfortunes. If the trader follows the majority of the rules laid down in the writer's article upon "Credit" of December 1, he need not fear making many bad debts. The trusting of manifestly unsafe buyers is little better than betting on horse races.

An enormous amount of bankruptcy is absolutely the sheer result of ignorance and want of proper commercial training. Increase the facilities for acquiring proper commercial training; be careful in trusting those who have not had this training, and then your books, as regards bad debts, will probably tell a very different tale to what they formerly did.

As regards the hardened trader whose transactions are undoubtedly fraudulent, the writer would show him no mercy. Let him by all means be prosecuted with all the rigour of the law, and let that law be framed so that it can easily reach him, whether he be bankrupt or not.

(*To be continued.*)

Meetings for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS.—General Purposes Committee, 3 p.m.

Wednesday—LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY.—Lecture, "Capital and Income as regards Executorship Accounts," by Mr. T. E. Haydon, M.A., Barrister-at-Law, at the Hall of the Institute, Moorgate Place, E.C.; 6 p.m.

Thursday—KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Deeds of Assignment," by Mr. E. Huntsman, at the Hall of the Incorporated Law Society, Bowlalley Lane; 7.45 p.m.

LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Lecture, "Bank Bookkeeping," by Mr. J. Watson, at the Library, 3 Lord Street; 6 p.m.

LEICESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Accounts of a Builder and Contractor," by Mr. J. A. Walbank, A.C.A., at Winchester House, 1 Welford Road; 7 p.m.

Personal.

MESSRS. REVELL & REVELL, of Prudential Buildings, New Street, Huddersfield, announce that they have taken into partnership Mr. FRANK E. REVELL, A.C.A., son of their senior partner. The title of the firm will remain unaltered.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Feb. 15th, was 186, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 88; Deeds of Arrangement registered, 98. The respective numbers in the corresponding week of last year were: Bankruptcies, 86; Deeds of Arrangement, 95—total, 181; being an increase of 5. The total number of commercial failures recorded during the 7 weeks of the present year is 1,024; the total number recorded in the corresponding 7 weeks of last year was 1,169, showing a decrease of 145.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Feb. 15th, was 161. The number in the corresponding week of last year was 193, showing a decrease of 32. The total number filed during the 7 weeks of the present year is 967; the total number filed in the corresponding 7 weeks of last year was 1,073, showing a decrease of 106.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Feb. 15th, amounted to £1,358,276, by way of addition to £2,244,772, previously issued by the same companies. The amount registered in the corresponding week of last year was £994,426, showing an increase of £363,850. The total amount registered during the 7 weeks of the present year is £12,285,309 (in addition to the issues in previous years by the same companies), as compared with £8,828,996 for the corresponding 7 weeks in 1906, showing an increase of £3,456,313.

The Profession in Scotland.

The Glasgow Chartered Accountants' Students' Society.

Trusts—An Outline of the Course to be followed in their Administration.

By WALTER NELSON, C.A., Glasgow.

A paper read at meetings of the above Society on 2nd and 23rd November 1905.

IN inviting me to address the Society on the subject of the Administration of Trusts, I take it that the Council does not desire that I should occupy your time with the consideration of (*a*) trusts entered into for the settlement of the claims of creditors, or (*b*) judicial factories, but rather that I should confine myself to matters more closely pertaining to the management of *continuing trusts*, and mainly to trusts arising under testamentary or marriage settlements. Some points of procedure and practice are common to all classes of trusts, but there are certain features in the administration of continuing trusts not commonly met with in the practical working of, say, trusts for behoof of creditors, or factories. These special features I shall try to elucidate in my lecture. It is common knowledge that the share in the management of continuing trusts which has as yet fallen to the accountant profession in Scotland is inconsiderable; in many offices, indeed, it does not extend beyond an occasional audit of Trust Accounts. At first sight it seems strange that the services of members of our profession have not been taken advantage of as they might be. But when we consider that trustees, under the class of trusts of which I am speaking, have invariably been selected either *from relationship* or *out of motives of friendship, and with the idea of obtaining their services gratuitously*, it is apparent that trusters (*i.e.*, those creating the trusts) in making appointments have been actuated by motives of economy—or what they fondly hoped would prove economy—rather than of efficiency in management.

I do not wish you to run away with the idea that trustees are, as a rule, wanting in ability and willingness to implement the wishes of the truster. Many instances occur where trustees have sacrificed their time, and sometimes their money, in whole-hearted service on the altar of friendship. But the rolls of our Law Courts unfortunately too clearly point to laxity in management on the part of many trustees, or, to what amounts to much the same thing, a misconception of the onerous character of

the duties and responsibilities of their office; and, many as are the cases of breach of trust which have come before our Courts, I incline to think that there are instances—and not a few—wherein settlements have been effected extra-judicially, or by complaisance on the part of the beneficiaries. Trusteeship has been termed, not inaptly, a thankless office. It speaks volumes, therefore, for the nature of present-day friendship when we find men who find, or *make*, time wherein to devote their services to the widow and the fatherless.

It goes without saying that trusters ought to make a judicious selection in the appointment of trustees. It not infrequently happens, however, that persons are nominated who have neither aptitude nor inclination for the office, or who fail to consider (before acceptance) the duties and obligations imposed on them and the nature of the services expected from them, the inevitable result being that the harmonious working of the trust is often seriously hampered and impaired.

It is a common mistake, again, to nominate too large a number of trustees. A good working number is from three to five, and the number should never be allowed to fall below the lower of these figures. Willingness to act on the part of those nominated should be ascertained before deeds are executed. It is undesirable to have an undue representation in the trusteeship of the members of the family interested. In marriage trusts one representative from each family is adequate: it is equally so in regard to the appointment of co-partners in business.

Gratuitous trustees are expected to give their personal services in all the details incidental to the management of the estate under their charge. In doing so they must show the reasonable care that men of ordinary prudence exercise in the management of their own businesses. The settlement under which they act may have an immunity clause, or they may rely on the relief granted by statute; but, as was pointedly illustrated in the recent lecture by the Hon. Mr. Watson, no immunity clause will afford protection if there be the slightest semblance of negligence on their part.

It may be asked how a trustee can be expected to attend to the ingathering of the estate, its investment or distribution, the preparation of Trust Accounts—in many instances of an intricate character—the adjustment of questions between the different classes of beneficiaries, and so on. If he is to take the actual administration in hand in its entirety, he must not only be a good man of business, but also well versed in law. A slip in figuring may lead to an overpayment being made to a life-renter, and be the source of an action in after years at the instance of a fiar; or the failure to make provision in a heme of division for a contingent claim may result in an overpayment to parties from whom it will thereafter be impossible to recover the sum thus overpaid.

How then may he be relieved in whole or in part of these onerous duties?

The trust settlement usually authorises the appointment of a law agent, and also of a factor, to the trust; but, whether it does or not, a statutory power of making such appointments is given by Section 2 of the Trusts (Scotland) Act of 1867. The appointment of a law agent is invariably made, but the duties of factor are too frequently undertaken by one of the trustees who has neither the experience nor yet the special knowledge of accounting for the task. Even where a law agent and a factor—professional or unprofessional—are appointed, it should be borne in mind that *the trustees must still assume the chief responsibility for the proper administration of the estate.* They must not, for example, rely on the law agent *volunteering* advice as to the character of their investments, but ask it, and see that the opinion is recorded in the Trust Minute Book. Their meetings should, in the earlier stages of the trust, be sufficiently frequent to permit of the realisation and disposal of the funds being promptly and properly dealt with. After the estate has been ingathered and suitably invested (in so far as it does not fall to be paid away) meetings should be held at regular intervals, the Trust Accounts periodically submitted, and the standing investments scrutinised from the point of security, and, if need be, revised. Their minutes should be full and explicit, and, where dealing with investments, should clearly set forth the data and the valuation, or expert's report, upon which the investment has proceeded. It is a bad practice, and often unsafe, for an investment on behalf of a trust to be made *as the result of correspondence* between the law agent or factor and the individual trustees. If there is one matter upon which it is expedient that there should be a full interchange of views, *in open meeting*, by trustees, it is that of selecting investments and obtaining in the joint presence of the whole body the opinion of the law agent as to whether the proposed security falls within the trustees' powers under the settlement or by virtue of the statutes. If the estate be of magnitude, or intricate, the trustees' accounts, or the accounts of their factor (if there be one), should be submitted to audit by a professional accountant. It is regrettable that the legal profession in drawing trust settlements so seldom provide expressly for the audit of the Trust Accounts. In practice nowadays, whether there be express authority or not, trustees insist, for their own protection, in having the accounts audited; and I have never heard of a case where either life-renter or fiar has challenged the small expense of an audit fee. Seeing that trustees are by the Judicial Factors Act of 1889

(Section 18) empowered to bring their administration under the supervision of the Accountant of Court, it may be fairly inferred that the Court would not view with disapproval the outlay incidental to a periodical audit of Trust Accounts by a professional accountant. But apart from this consideration, it appears to me that the fee of an auditor, like that of a valuator or other special reporter, forms a legitimate expense of administration under that peculiarly open clause which appears in practically every trust settlement after the enumeration of specific appropriations of the truster's estate, and reads after this manner: "And for payment of the expenses *of every kind* connected with the execution of the trust hereby created."

From what has been said you will have gathered that trustees, who take a practical interest in the estate under their charge, select properly qualified and reputable law agents and factors, scrutinise their trust securities, and hold their meetings at regular periods, are not likely to find the duties and responsibilities of their office unduly onerous, and will not require to have recourse to that unstable plea of "immunity clause" in any question with the beneficiaries under the trust.

The Law Agent and his Duties.

In Testamentary Trusts and Executry Estates there will devolve upon the law agent, in the first instance, the preparation of the inventory of the personal estate; the recording of the settlement, where there is one, in the Register of Deeds; the procuring confirmation by the sheriff of the appointment of trustees or executors; and the preparation of all deeds requisite for completing their title to the estate, both heritable and moveable. Thereafter he will attend to the registration of the testament-testamentar or the testament-dative with the companies and others with whom the deceased's funds were invested; to the advertising for debts or claims against the estate; and, generally, to the whole preliminary procedure up to the stage when the trustees are duly vested in the estate.

In the case of Marriage-Contract Trusts the law agent will record the contract in the Register of Deeds, and will forthwith make up the trustees' title to the estates conveyed. If an assignment be made under the contract of (*a*) policies of assurance; (*b*) an interest, present or contingent, in the estates of near relatives, he will see to the immediate notification to the insurance companies, and to the administrators of the estates of these relatives of such assignment.

In addition to the duties above enumerated he will, in the case of trusts or executry estates, once the administration is in full working order, convene and attend all meetings of the trustees or executors, and draw the minutes of these meetings, as well as keep the Minute Book written up. The settling of the Government duties exigible from the estate will be attended to by him, and he will prepare the legacy receipts and the discharges taken from residuary legatees. He will sue the debtors of the deceased, and will act in all proceedings instituted on behalf of or against the trust or executry estates. He will revise all deeds granted by the trustees, and advise them as to the effect of these. He will also record in the Minute Book the particulars of every deed so granted.

In the matter of the investments he will advise the trustees or executors what securities of the deceased they should realise, and whether any investment which they propose to make is, or is not, within their powers. The titles of all investments made on heritable security will be prepared by him, and the title deeds of the trust property should, in ordinary circumstances, remain in his custody. He will also see that all property in which the trust is interested is kept fully insured against the risk of fire, unless where this duty is expressly demitted to the factor.

The Factor and his Duties.

The factor's duties are chiefly in connection with the finance of the estate. As instructed from time to time by the trustees, or the executors, he will ingather such items of the capital fund as may be directed to be realised, and place the proceeds in bank to an account in names of the trustees or executors, pending the reinvestment or disposal of these sums.

He will make such payments out of capital as may be directed, and carry into effect all resolutions as to the investment of moneys lying in bank.

He will collect the trust income, and, having apportioned it to the parties entitled thereto, will, at stated terms, pay it over as may be directed by the trustees or executors. He will keep the Trust Accounts, and bring these to a balance at least once a year; and, as soon as they are balanced, he will lay them, with the relative vouchers, before the trustees or executors for audit. He will regularly report the position of the trust finance at the meetings held by the trustees or executors, and supply such statements to them as may be necessary for their information or guidance in the administration of the estate.

General Administration and Practice.

Let me now sketch out some of the main points in procedure and practice, beginning with the initial steps, according to the class of trust—Executry, Testamentary Trust, or Marriage-Contract Trust.

Initiatory Procedure.

In Executry Estates.—The administration of these estates, where parties die leaving no settlement or directions for the disposal of their means, usually consists in the speedy realisation and early division of the estate

(commonly "moveable") left by the deceased. The general management in such cases is usually left with the legal adviser of the deceased, or with the law agent of the person or persons who are appointed to act as executors. A near relative of the deceased is usually chosen as executor, and after his appointment has been confirmed by the sheriff an inventory of the personal estate falls to be prepared and lodged with the sheriff clerk, who thereupon issues a bond of caution, to be signed by an approved cautioner for the executor. When this bond has been executed and lodged with the sheriff clerk, the testament-dative is issued to the executor, who is then in possession of a title enabling him to recover the personal estate.

In Testamentary Trusts.—A meeting of the trustees is usually convened for a date as early as possible after the death of the truster to consider the steps to be taken for the administration of the estate. Prior to this meeting the law agent of the deceased will have made inquiry into the estate which is to form the subject of the trust, and an abstract of the provisions of the settlement, or a copy of that deed, should be placed by him in the hands of each trustee before such meeting.

At this first formal meeting a report on the position of the estate, so far as then ascertained, and on the manner in which the deceased's funds are invested, should be submitted, and the terms of the settlement fully explained. It is then for the trustees to say whether they will act or not, and the assent of those willing should be duly minuted.

The trustees who have taken up office should thereupon select their law agent—the deceased's legal adviser is usually chosen for this position—and instruct him to have (*a*) their appointment as trustees confirmed by the sheriff; (*b*) an inventory of the personal estate given up; and (*c*) the settlement recorded in the Register of Deeds. At this meeting the selection of a factor should likewise be made. It is common practice to appoint the law agent to act also as factor; but, in this matter, the trustees will be guided by a consideration of the position of the estate, the manner in which the funds are invested, and other circumstances which may call for a separation of the offices. Possibly one of their own number may offer to act as factor, in which case he should clearly understand that, *in the absence of an express provision in the settlement authorising remuneration being paid to such of the trustees as may be appointed factor*, the estate must not be charged for factorial services with anything save actual outlays. Where the estate is of an involved character, and the transactions likely to be numerous and intricate, it is advisable that a professional accountant should be appointed to the factorship. Whether such an appointment be made or not, if part of the testator's means consists of an interest in a going business, it is expedient that the services of an accountant should be retained in order to have such interest reported on. The same remark applies where the trustees find themselves involved in any complicated accounting.

Assuming, then, the appointments of factor and law agent made, the latter will, as early as possible, make up the inventory of the personal estate, and advertise for claims against the deceased. He will also institute an examination into the titles of the heritable estate, if any, and procure accurate information as to the relationship to the testator of all legatees and annuitants. The ages of the annuitants, as well as of the members of the deceased's family, should be ascertained and recorded in the Trust Minute Book. Particular care in this direction is necessary where the beneficiaries are minors.

Until the confirmation is expede (*i.e.*, registered in the books of the sheriff-clerk and issued by that official), the ingathering of the estate is almost impracticable; the trustees have as yet no good title to uplift moneys or otherwise intromit with the estate. In some cases it will be possible to realise a few of the smaller items of the estate, pending the receipt from the sheriff-clerk of the testament-testamentar, and in any event the factor may profitably employ the period prior to the receipt of that document in notifying his appointment to all debtors of the deceased and to the companies in which the funds are invested.

In Marriage-Contract Trusts.—The trustees nominated should be called to a meeting by the law agent who prepared the contract as soon as possible after the marriage ceremony. In anticipation of this meeting, the law agent will have framed an abstract of the provisions of the contract, and a statement of the funds falling under the administration of the trustees, distinguishing in the statement the estate conveyed by the husband from that conveyed by the wife. It is desirable that a copy of this abstract, as well as of the statement, should be supplied to each of the trustees before the day of meeting, particularly if, as is too often the case, the trustees nominated have not been consulted prior to the preparation of the contract as to whether they will act.

At this first meeting of trustees the position of the estates conveyed by husband and wife should be reported on by the law agent, and the terms of the contract fully explained by him. It is then for the trustees to say whether they will act or not, and the assent of those willing should be duly minuted. The minute of this meeting should record the *actual date of the marriage*, which in many cases cannot be gathered from the marriage contract, owing to that document having been signed, some days, it may be, before the date of the marriage. The trustees who have taken up office should thereafter select their law agent—the lady's legal adviser (on whom it most commonly devolves to prepare the contract) is usually chosen

for this position—and instruct him to have the contract recorded in the Register of Deeds. At this meeting the selection of a factor should likewise be made, and my remarks on this head when speaking of the initiatory procedure in testamentary trusts are equally applicable to marriage-contract trusts.

The first steps in the administration of the ordinary classes of continuing trusts have been shortly outlined. Besides these, however, there are other trusts allied in character, though somewhat difficult of classification. There are, for example, trusts created to administer testimonial or memorial funds, also trusts for educational or benevolent purposes, and so on. The earlier procedure in the cases of such trusts differs little from that referred to under the head of "Testamentary Trusts," the main points to be aimed at being (*a*) the determining of the amount and character of the investments forming the fund in question; (*b*) the affording full information to the trustees of their duties and of their powers under the deed of trust; (*c*) the appointment by the trustees of suitable factors and law agents; and (*d*) the bringing of the trust estates into the possession of the trustees.

Subsequent Procedure.

Assuming the confirmation to be duly expede, the trustees or executors will forthwith proceed to have their title to the assets of the estate made effective through the medium of the law agent. On receipt of the testament-testamentar, or testament-dative, he will proceed to put himself in communication with all parties indebted to the deceased, and concerns in which he had an interest, and on exhibition of the confirmation the trustees or executors become vested in each item of property detailed in the inventory of the personal estate. Their title to any heritable estate should also be made up in due form at the earliest date compatible with the state of the title deeds and the circumstances of the estate. In marriage-contract trusts, where life insurance policies often form part of the estate conveyed, the trustees should see that their law agent has a notice of assignment of the policy in their favour duly lodged with the insurance company; and if other estate—such as stocks or shares, and the like—is conveyed, the transfer of the certificates to the trustees' names should be effected.

The next step in the administration is to consider what portion of the estate falls to be realised, and it is desirable that immediately the trustees' or executors' title to the property of the truster has been made good a meeting should be convened to deal with this matter. At this meeting the whole of the investments should be carefully gone over.

If it is an executry estate the law agent will explain which, if any, of the investments of the deceased may be retained: all others should thereupon be directed to be realised. The investments which may be retained in such an estate may be shortly defined as (1) any heritable property possessed by deceased; and (2) any securities falling within the category of investments open to trustees under the Trusts (Scotland) Acts.

In the case of trust estates the law agent will explain to the meeting what powers are conferred by the trust settlement as to holding existing investments and making new ones. If, as sometimes happens in the case of settlements drawn prior to 1884, the clause regulating the powers of investment is loosely framed, the safest course for the trustees is to resolve on retaining such only of the truster's investments as fall within the terms of the Trusts (Scotland) Acts. As regards those investments which they decide to realise, it will be prudent that they should carefully consider when and how best to convert such into cash. They will require to give their instructions as to the realisation of each investment according to the circumstances of the case. Some of the investments commonly met with in trust estates are here enumerated, and an outline of the course to be followed as regards each class indicated.

Funds in Bank.—The sums in bank on current or deposit account should be uplifted and redeposited in the trustees' own names. In some estates, where the amount of uninvested funds lying in bank is considerable, it is sometimes arranged, for convenience, to have the deposit receipts taken out in the joint names of one or more of the trustees and the factor. Whenever the trustees are in funds to pay the truster's funeral expenses the sum requisite to meet these, as also to recoup the stamp duty on the inventory of the personal estate and the initial administration outlays, will be set aside out of the amount uplifted from bank.

Debts due to the Deceased.—These should be as speedily ingathered as possible. If the circumstances of the debtor call for extension of time wherein to make payment, an acknowledgment of the debt, under the hand of the debtor and addressed to the trustees, should be got. So also when the debts are upon I O U, or bill, and these documents are of old date, it is expedient to stipulate for a fresh acknowledgment of the indebtedness as a condition of granting time for payment. Where not at variance with the terms or purposes of the trust, the Trusts (Scotland) Act of 1867 empowers trustees to compromise, submit, or refer all claims connected with the trust estate, and also to assign debts due to the estate.

Government Stocks.—The Government stocks, public funds, or securities of the United Kingdom (including all stocks bearing the guarantee of our Government) form unexceptionable securities. The return, however, from these stocks is comparatively small, and it may be a question for trustees or executors to consider whether some

other good security, yielding a higher rate of interest, should not be substituted therefor. The loans of several of our Colonial Governments form fair securities (particularly where they have been raised for the development of income-yielding public works, such as railways, and are secured on the revenues of these works). If the bonds are payable to bearer, and there is no option to have them exchanged for inscribed stock, it is expedient that they should be sold; but if inscribed stock, they may, after consultation with a broker or banker, and being reported on as good securities, be retained. The stocks of most Foreign Governments are not desirable investments to retain, as they are subject to considerable fluctuation in price, and default in payment both of principal and interest is not an uncommon occurrence in the case of some of them.

Stocks and Shares of British Corporations and Companies.—The question of realising or retaining such assets is always one of nicety, very often, indeed, of considerable anxiety. In the case of the ordinary stocks or shares of trading concerns, railway companies, and the like, considerable fluctuation in price is frequently met with, according to the state of trade, or from special circumstances affecting the concern in question. At special times, a few weeks, often a few days, witness a heavy drop in the prices of such shares. It is seldom prudent for trustees to retain these investments, but caution should be exercised in realising. Frequently the deceased person has been a large holder in one concern, and if a sale of all his shares is forced on the market a considerable fall in prices is more than likely to result, to the detriment of the estate. With preference stocks and shares, on the other hand, no great fluctuations in price are in ordinary circumstances met with. Still, it is seldom advisable to retain the preference stocks of commercial concerns, although railway preference stocks (even where the dividends are contingent on the profits of the year or half-year) form fair securities, and may be retained if the powers in the trust deed so permit. The preferred ordinary stocks of our home railways are not suitable investments for trustees to hold. Then as to debentures and debenture stocks, we note that stocks of this class of many commercial concerns are far from well secured. If this class of security is intended to be what the general public look for under the term "debentures," the assets of the concern, particularly the lands and buildings, if there are such, and where practicable the uncalled capital, should be specially conveyed to trustees for the debenture-holders, so as to give the investors in debentures a real lien over these assets. A good number of the so-called debentures or debenture stocks of our public companies are simply preference stocks with no specific lien. The debentures and debenture stocks of almost all our home railways are, on the other hand, exceptionally good securities, and may with safety be retained.

Stocks and Bonds of Foreign Corporations and Companies.—A few of these securities are worth retaining, if the trustees have power to do so; such, for example, as the registered bonds of several of the best American (United States) railroads, of some of our Colonial corporations, and of Colonial tramway and water works concerns, where these are the property of the municipalities. Generally speaking, however, it is more prudent to part with this class of security and seek an investment for the proceeds at home.

Where the trust estate consists largely of stocks and shares, the trustees may be greatly assisted in coming to a decision as to whether they should hold or sell by calling in a well-informed stockbroker to their meeting, or by instructing their law agent to get a report, prior to their meeting, from a firm of stockbrokers on all such securities held by deceased.

(*To be continued.*)

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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J. A. ROBERTSON-DURHAM, Esq., C.A.

President of the Society of Accountants in Edinburgh.

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TABLE "A."

A reprint of the new Regulations for the Management of a Company Limited by Shares.

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Leading Articles.

J. A. Robertson-Durham, Esq., C.A.

President of the Society of Accountants in Edinburgh (Incorporated by Royal Charter, 1854).

WE give this week a portrait of the new President of the Society of Accountants in Edinburgh, elected on the 6th ult., in succession to Mr. F. W. CARTER, C.A.

Mr. J. A. ROBERTSON-DURHAM, who was born on the 15th of June 1848, is a son of th

late Mr. ALEXANDER WEIR ROBERTSON, C.A., one of the original members and the first Secretary of the Edinburgh Society of Chartered Accountants. Indeed, it was mainly owing to the energy of the late Mr. ALEXANDER WEIR ROBERTSON that the leading accountants in Edinburgh in 1853 formed themselves into a Society which in 1854 was incorporated by Royal Charter.

After having served a five years' apprenticeship to his father, Mr. ROBERTSON-DURHAM passed his examinations in December 1869, and was admitted a member of the Chartered Accountants' Society.

In 1870 he was taken into partnership by his father, and the business has since been carried on under the name of A. & J. ROBERTSON, C.A.

Mr. ROBERTSON-DURHAM was for several years one of the Society's Professional Examiners, and he has been a member of the General Examining Board of Chartered Accountants in Scotland since the Board was instituted. He has also been one of the trustees of the Chartered Accountants' Widows' Fund since the Act of Parliament was obtained. He has at present four partners, one of whom is his son, Mr. A. W. ROBERTSON-DURHAM, who has been a member of the Chartered Accountants' Society for the last seven years.

He is a Fellow of the Faculty of Actuaries in Scotland, having passed all the examinations of the Faculty.

Among other appointments which Mr. ROBERTSON-DURHAM holds are those of auditor of the Commercial Bank of Scotland, auditor of the North of Scotland Bank, auditor of the Scottish Life Assurance Company, auditor and accountant of the Church of Scotland, and manager of the Scottish Reversionary Company, Lim.

In 1899 he succeeded to the estates of Boghead and Foulshiels in the county of Linlithgow, and assumed, as required, his great-grandfather's name of DURHAM.

Mr. ROBERTSON-DURHAM is a member of the Royal Company of Archers—the King's bodyguard for Scotland. He is also a Justice of the Peace for the county of Linlithgow, the county of Haddington, and the county of the City of Edinburgh.

The Present Legal Position of Auditors.

FEW subjects are of greater importance or of greater interest than the legal position of auditors—their rights and responsibilities; and the paper by Mr. J. J. PARFITT, M.A., Barrister-at-law, printed in our issue of the 2nd ult., will doubtless have been carefully perused by our readers.

We gather that this paper is to be taken as a first instalment only, and, if that be so, it would be obviously unfair to criticise it upon the score of incompleteness. We may point out, however, that while in his opening sentences Mr. PARFITT sets before himself the task

of dealing with the rights and duties of auditors, whether called upon to examine the accounts of a company, a firm, or a person, and supplements these by defining the work of an auditor as extending to investigations with a view to the conversion of a business into a joint-stock company or on behalf of a committee of shareholders, the practical part of his paper deals almost exclusively with the position of the company auditor. This, while perhaps the most important part of the subject, is in a sense the least interesting, in that it is that part which has been most frequently and most successfully dealt with. It may, however, be questioned whether Mr. PARFITT has sufficiently equipped himself for dealing with the practical aspects of this highly technical matter. The authorities to which he acknowledges indebtedness are no doubt excellent so far as they go, but they do not by any means exhaust the subject.

At the same time, it must be admitted that the seven pithy paragraphs enunciating general principles contain much that is well worthy of very careful attention, although they are by no means invariably beyond challenge. They have the merit of, so to speak, codifying the matter, at all events from the point of view of the company auditor; and for that reason, if for no other, this paper will be found especially of value to examination candidates, who, as a rule, prefer to have much of their work done for them, and to take their information, so to speak, in tabloid form.

The lecturer's first general principle will probably be regarded as being especially of value, in that the decision upon which it is based—*Spackman v. Evans*, being nearly forty years old—is, perhaps, too apt to be overlooked by the present generation. It was then decided that it was no part of the auditor's duty to inquire into the validity of any transaction appearing in the accounts of the company—a decision which may have been perfectly true with regard to that particular case, taking into consideration the terms of the company's deed of settlement, but which, as Mr. PARFITT himself allows, is doubtful as applied to latter-day auditing. The better opinion, as he states, seems certainly to be that the auditor must deal with questions of validity of transactions, at all events up to the point where the taking of legal opinion becomes necessary or advisable. It should be added, however, that there is, at all events, some judicial authority for regarding the decision in *Spackman v. Evans* as practically obsolete. The effect of the recent decision in *Newton v. The Birmingham Small Arms Company, Lim.*, was to declare that the auditor was justified in passing without comment accounts which showed a financial position less favourable than the true financial position; but that the duty devolved upon him of seeing that the assets secreted were properly applied, and of reporting to the shareholders any misapplication or malversation of funds. The effect of this decision is, of course, to throw upon the auditor the responsibility of inquiring into the validity of the directors' handling of these secreted funds, or Internal Reserves as they are sometimes called, and a highly responsible and onerous task it is; indeed, it yet remains to be seen whether it is reasonably practicable to expect that such serious duties can be adequately discharged by any single individual.

The lecturer's next point is based on the decision in *The Leeds Estate, &c. Co., Lim. v.*

Shepherd, in which it was laid down that the duties of an auditor extended beyond verifying the arithmetical accuracy of the Balance Sheet, or even of the books of account themselves. It is unnecessary for us to comment upon this point at length, beyond stating that the effect of this decision is very cleverly summarised in a comparatively short space. The remaining five principles are given consecutively. No. 3 is, it seems to us, practically the same as No. 2 converted into the affirmative. No. 4, suggested by the *Kingston Cotton Mills* case, points out that while the auditor is under no obligation to be suspicious, if anything arouses his suspicions he must go through with the matter, and take reasonable care not to allow himself to be deceived. This, it is explained, may involve inquiries which may perhaps *primâ facie* suggest an invasion of the duties of those employed to value the assets of the company. Clearly, however, where suspicions exist they must be set at rest before the auditor can state himself to be satisfied, and inquiry as to the basis of valuation, &c., is one means—and probably the most convenient means—of sifting doubtful questions.

Principle No. 5 seems to us to be more debatable. We are told that the auditor must report anything of a serious nature to the shareholders. For instance, if the profits (or want of profits) do not justify the payment of a dividend, the auditor must tell the shareholders so if the directors fail or refuse so to do. If "should" were substituted for "must," we should entirely assent to this proposition, but stated in its present form it appears to us to be at variance with the view laid down by Lord LINDLEY in *The London & General Bank* case when sitting in the Court of Appeal. His Lordship said, "It is nothing to the auditor "whether dividends are properly or improperly "declared, provided he discharges his own duty "to the shareholders." There is, of course, room for discussion as to precisely what his Lordship meant by the auditor's "own duty," but taken with its context there can, we think, be little doubt that what his Lordship really stated was that so long as the auditor took care to convey to the shareholders reliable information as to the true position of affairs, it was no concern of his what use the shareholders made of that information, even in the extreme case of their declaring a dividend which was not justified by the profits earned. While we entirely agree as to the importance of the auditor making it quite clear to the shareholders what balance of profit there is available for dividend, we think that he would be acting wisely if, having gone so far, he stopped short at that point, and left the shareholders to deal with the information so supplied as they thought fit. As a matter of fact, it is literally nothing to him whether dividends are properly or improperly declared, in that it is entirely beyond his power to veto improvident dividends; and he lays himself open to the charge of exceeding his duty if he gives advice on the matter.

Principle No. 6 enunciates that it is no part of an auditor's duty to take stock. Another point which was settled by the *Kingston Cotton Mills* case. This is, however, capable of being further amplified. What applies to stock-in-trade applies, it seems to us, equally to the other assets of the company which, for purposes of account, require to be valued, and which, therefore, are matters of opinion rather than matters of fact; but, of course, as the lecturer points out, it still remains for the auditor to express in his report an opinion concerning the Balance Sheet submitted, regarded as a

statement setting forth the true financial position of the company. It has been stated that in expressing such an opinion he must be honest, and must really believe what he states. This, of course, requires the auditor to definitely arrive at an opinion with regard to the subject-matter at issue, but it does not necessarily require him to lay before the shareholders all the various mental processes through which he went in forming his opinion.

The seventh, and last, principle, confirms the view that we have expressed in commenting upon Paragraph 5, and *pro tanto* contradicts that paragraph itself. It is here pointed out that it is no part of an auditor's duty to give advice: that his province is to ascertain the true position at the time of audit. This incidentally suggests another point, which has sometimes been overlooked—namely, that the auditor must not ignore means of information that have come to hand since the audit of the Balance Sheet, but prior to the issue of the auditor's report.

Towards the conclusion of a very interesting, and upon the whole quite reliable, paper Mr. PARFITT allows himself to quote some somewhat extraordinary views on the subject of Goodwill from the *Financial Review of Reviews.* It may well be questioned whether anything coming from such a source can be regarded as sufficiently authoritative to call for serious consideration in a paper which is for the most part founded upon judicial dicta, but—inasmuch as the assertion has been made that the sooner Goodwill is written down the better, as in case of disaster the company's Goodwill becomes almost valueless, and a provident Balance Sheet ought to be drawn up in the light of the possibility of the trading concern becoming insolvent—it may be pointed out that there is no legal or moral obligation upon the part of shareholders to forego dividends legally divisible out of revenue profits for the sake of providing creditors with more substantial assets than those originally acquired with the capital receipts of the undertaking. If shareholders are not willing to provide ample reserves for their own sakes, with a view to securing uniformity of dividend, and a lengthy period of life for the business in which their moneys are invested, it is not much use appealing to them to make such reserves for the benefit of creditors in the event of some unforeseen calamity involving the whole of their capital and rendering the business insolvent. There are many excellent reasons why dividends should be restricted until ample reserves have been built up, but this solicitude for the interests of creditors is not one of them, and the auditor who seriously puts it forward would undoubtedly be exceeding his duties and incurring the reproach of giving advice as to how the business should be carried on. The practical value of the article upon which Mr. PARFITT relies as an authority is, however, we think, capable of being more fairly tested by the remark which he quotes, that stock-in-hand should not exceed an amount equal to about eighteen months' turnover—an assertion which has only to be made to be pronounced ridiculous. In some concerns stock amounting to two weeks' turnover would be excessive, in others two or even three years' turnover might indicate no source of weakness; but, disregarding extremes in either direction, the probability is that in the majority of cases anything exceeding from four to six months' turnover would call for careful inquiry. The writer, who thus speaks of eighteen months as something resembling a normal figure, clearly knows little or nothing of

his subject—as may, indeed, be gathered by his recommendations with regard to Goodwill, which we have already quoted.

In conclusion, we may express the hope that Mr. PARFITT will be prevailed upon to contribute further papers upon this interesting subject, dealing with the liabilities of auditors in their somewhat numerous aspects. Thus, the liabilities of auditors under the 1900 Act, and under the new Table A, present points well worthy of discussion; while the position of the accountant who has certified profits for the purposes of a prospectus present special and highly interesting problems, whether from the accountancy or the legal standpoint. Much more might be said, moreover, with regard to the liabilities of auditors in respect of partial audits; while, of course, the audits of friendly societies, building societies, gas companies, railway companies, and the like, each present their own special problems that are full of interest.

The Meaning of Balance Sheets.

ONLY a few weeks since, when commenting on an article that had appeared in the financial supplement of *The Times*, we had occasion to question the conclusions arrived at by our contemporary on the subject of Balance Sheets, and particularly as to the treatment therein of the item Goodwill. But although our contemporary's treatment of this interesting subject upon that occasion certainly left much to be desired, if the matter were to be regarded seriously, it must be admitted that its article entitled "Going Concerns *v.* Scrap Heap," which appeared on the 4th ult., stands upon an altogether different plane. We question very much whether the authorship is identical in both cases, but, if it should be, it is evident that the writer has taken the trouble to read up his subject in the meanwhile, and has by no means wasted his opportunities; with the result that, although his views are sometimes a trifle unconventional, they are certainly worthy of very careful consideration, and, for the most part, well worthy of adoption.

Our contemporary recedes from the position that it formerly took up, virtually advocating the view that before a company's accounts can be said to be in a satisfactory position its assets ought to be written down to scrap prices, and now states that all it wished to do was to upset that complacent illusion which teaches boards to believe that because something has cost a certain amount, and is maintained upon a necessary level of efficiency, it can be reckoned at its original value as an asset for all time. The desirability of upsetting a complacent belief of this kind is beyond question, assuming it to have any existence in fact, and it is certainly to be feared that it *is* entertained fairly generally—among others by the directors of some of our largest concerns, including *inter alia* British railways. When, however, our contemporary goes on to suggest that this eminently sane dictum is for all practical purposes identical with its previous suggestion, that everything should be written down gradually to the price at which it could be sold, we may point out that while such a course is eminently desirable, and indeed necessary in cases where there is any reasonable ground for supposing that at some future date a sale may have to be effected, it involves a policy that is entirely out of place as applied to those assets which form the substratum of the whole undertaking, without which it could not possibly continue. The Gigantic Wheel, which

appeared in successive Balance Sheets at about thirty thousand pounds, and was eventually sold for old metal at three hundred pounds, is cited as a sort of awful example of maintaining assets at cost. But it may well be asked whether, bearing in mind that the inherent nature of an undertaking of this description is its non-permanency, there is much to be gained by conducting its finances with a view to enabling the business to be carried on for an altogether indefinite period. Here, as in the case of single ships, we venture to think that the majority of shareholders prefer to have all available moneys divided among them, whether they be strictly capital or revenue; and so long as the law is complied with, and the rights of creditors respected, we do not see why directors should allow what is, after all, a mere theory to prevent them from acceding to the wishes of their employers.

The writer then goes on to deal with a letter forwarded to our contemporary by Mr. T. A. WELTON, F.C.A., which it is stated would apparently, if carried to its logical conclusion, abolish all necessity for a Balance Sheet. "I contend," wrote Mr. WELTON, "that the "primary duty of a board of directors is to "afford faithful evidence as to the earning "power of their undertaking, separating in the "accounts any casual items not likely to recur. "With this information before them, share-"holders and the open market soon settle how "many years' purchase such an income is "worth, and the price of the stock represents "an effective valuation from day to day." It must be admitted that this quotation lends itself to the deduction drawn by our contemporary, however startling the result may be, but those who are themselves acquainted with Mr. WELTON'S views will, of course, be well aware that he has always seemed to regard the Revenue Account as being more important than the Balance Sheet, and his recent lecture at Sheffield, which we commented upon in our last issue, does little or nothing to modify this view. It is one thing, however, to emphasise the importance of the Revenue Account—which alone can show the income that an undertaking may be expected to produce year by year in the future, and it is quite another to suggest that the intrinsic value of shares in a company is neither more nor less than the capitalised value of the dividends that may be expected to be received on the shares. It is a mere matter of calculation to arrive at the capitalised value of a fixed income, but practically no company dividends are so exempt from the vicissitudes of trade as to be safely regarded as fixed, and thus it is not merely a matter of multiplying and dividing the average dividends of past years by certain figures found in a table, but rather of computing the probable amount of profits that may be expected in the future. In such a matter as this, other factors have of necessity to be brought into account—such as continuity of good management, the ups and downs of trade, increased competition, the effect of hostile tariffs, alternative methods of production, and a host of other contingencies which make all the difference in the world between complacent theory and stern reality. But, even when all has been said and done, the figure arrived at by capitalising profits (whether past or future) is not the value of the shares, but the value of the Goodwill of the business, and no amount of inquiry into the Revenue Account can possibly take one further than this point.

The value of a company's shares, as our contemporary very properly points out, is some-

thing very different to the market price, which is a mere shifting quicksand quaking every time that the tide of the market turns. An alteration of prices does not necessarily mean any alteration whatever of belief in the amount of future profits, or in the number of years' purchase that ought to be paid therefor, although variations in these matters will, no doubt, *inter alia* affect prices. If one were to generalise at all upon a point where generalisation is so dangerous, one would be inclined to say that the most marked fluctuations in market prices are as a rule due to causes quite unconnected with the intrinsic value of the shares or stock concerned, and thus in practice can have but little bearing upon the matter one way or the other. But in so far as the intrinsic merits of a security do determine its market price, it may be pointed out that the information provided by the Revenue Account is only useful for the purpose of helping to determine the value of the whole undertaking; whereas the intrinsic value of a share is the value of a corresponding fraction of the surplus of the company's assets over its liabilities, including goodwill among its assets, and disregarding all fictitious assets and liabilities—such, for instance, as formation expenses on the one hand, and Reserve Funds on the other. In order to form any idea whatever of the intrinsic value of a share, it is essential that a properly prepared Balance Sheet should be forthcoming. It is for this reason, of course, that companies are required by law to submit Balance Sheets annually to their shareholders. Were these Balance Sheets unnecessary, there would, as our contemporary points out, be no need for accountants to certify them, or for financial critics to rack their brains to make out what they mean.

The suggestion that Balance Sheets are superfluous is so surprising that one is, perhaps, not altogether prepared with an immediate effective rejoinder; and, indeed, among the numerous arguments that may be put forward in favour of its retention, it is a little difficult to choose off-hand the most telling. One such argument does, however, occur to us at once, and that is that the enjoyment of a satisfactory income is of itself no guarantee whatever that it will be possible to continue the business. Everyone must be familiar with cases in which a concern earning good profits has been compelled to place itself in the hands of its creditors because its finances have been allowed to get muddled; that is to say, because no sufficient attention has been given to its Balance Sheet items—because floating liabilites have been allowed to exceed floating assets—with the result that there is not sufficient money available to pay the debts of the concern as they become due. If for this reason alone, it is important that Balance Sheets should be prepared periodically for the information and satisfaction of interested parties.

At the same time, it must be admitted that there is a good deal in the contention that has been put forward from time to time by our contemporary and others, that Balance Sheets, as frequently submitted to shareholders, are practically valueless as an indication of the real financial position of the undertaking. As a case in point, the Imperial Tobacco Company, of Great Britain and Ireland, Lim., whose last Balance Sheet is dated 31st October 1906, shows among its assets *inter alia* Investments in Associated Companies, £2,226,436; and Investments in Government and other Stocks, £900,102. These two items taken together represent approximately three times the avail-

able balance of profit and loss, which stands at £1,061,870, yet there is not the slightest indication on the face of the Balance Sheet as to how they are valued. It is true that there is little or no indication as to how any other item of the Balance Sheet has been valued; but the special significance in connection with the two that we have selected is that as a question of account it would be perfectly legitimate for such investments to be brought into the Balance Sheet at cost price, but if they have been so treated —and no indication is given anywhere of the act, or as to their present values—then clearly there is no means of knowing whether the balance of £1,061,870 can be prudently divided. The theory of the company law is apparently that Balance Sheets shall be submitted to the shareholders annually for their approval, and that dividends shall be duly voted by them; but the practice in too many cases seems to be to issue the accounts in such an emasculated form that the shareholders are not in a position to intelligently exercise their statutory privileges. This, we take it, is the point that our contemporary wishes to advance (although it must be confessed that it does not succeed in doing so too clearly), and the point is one which must, we think, be admitted by all impartial students of the tendencies of the times.

Auditors' Certificates and Reports.

DURING the past six years there has probably been no one question of professional interest more thoroughly or more continuously discussed than that as to the precise meaning of Section 23 of the Companies Act, 1900, so far as it relates to the certificate and report to be given by an auditor, at the conclusion of his investigation; as to the precise meaning of the words employed; the exact nature and contents of both the certificate and the report; and as to the expediency or otherwise of combining both in one document appearing in full at the foot of the published Balance Sheet. It is not our intention at the present moment to revive the whole of this discussion—which, indeed, would be a somewhat unprofitable proceeding. We propose, however, to draw attention to one or two specific cases, which have been brought to our notice of late, that may possibly help to form an opinion as to the practical advantages and disadvantages of the two accepted methods of dealing with the auditor's report.

Our first instance relates to W. & A. McArthur, Lim. *The Times* of the 28th December last contains an account of the ordinary general meeting of this company, which states that a long report was read from the auditors, who stated that they regarded several of the assets as not worth the value placed upon them. They objected to the board's taking credit with W. & A. McArthur (South Africa), Lim., for various items charged in the process of establishing that undertaking, and stated that they did not consider the sum of fifteen thousand pounds then taken credit for should be treated as profit available for dividend. After offering criticisms on a number of other matters, they concluded by saying that in the circumstances they were unable to express the opinion that the Balance Sheet exhibited a true and correct view of the state of the company's affairs. The Chairman is said to have observed that this was not the first time in the history of companies that there had been differences of opinion between auditors and directors as to the value of a

company's assets. The board was strongly of opinion that those who had been day by day in the business, and connected with all its transactions, were better judges of the value of assets than anybody could be who got at the value of them simply by studying the accounts. He dealt at some length with the position and prospects of the company, and concluded by moving the adoption of the report, which was unanimously agreed to. The dividend of 5½ per cent. on the preference shares suggested by the directors was also voted.

Our second instance arises out of the report of the first ordinary general meeting of the Lingham Timber and Trading Company, Lim., which appeared in *The Financial News* on the 19th ult. In this case the auditors adopted a combined certificate and report of quite unusual length, which we quote from our contemporary as follows:—

"In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as auditors have been complied with, and we report to the shareholders that we have audited the above Balance Sheet and Profit and Loss Account with the accounts relating thereto in London and with the accounts received from South Africa, certified by a local Chartered Accountant. Evidence of title to the freehold and leasehold lands, buildings, and works has not been produced to us. In his report, the local Chartered Accountant states he is informed that the property at Lourenço Marques is in process of transfer to trustees for the debenture-holders; that certified copies and translations of the grant of title over 192 hectares of land were produced to him, but that the documents of title for eight hectares of foreshore (stated to be in the hands of the company's Lourenço Marques office) had not been produced; that the leases of the property at Johannesburg stand in the name of the Bank of Africa, Lim., and are in the bank's possession. A document, dated March 6th 1906, has been shown to us, in which the bank undertakes to hand over to the liquidators of the old company, or as they may direct, all securities which it held in respect of the old company's indebtedness to the bank. The local auditor adds that, taking the climate into account, he is not clear that sufficient depreciation has been written off the company's buildings and equipments at Lourenço Marques, but the company's manager had informed him that he had gone carefully into the matter and was of opinion adequate depreciation had been made. The shares in other companies are entered at the amount at which they stood in the books of the vendor company, and consist of holdings in two companies, of which we are informed that one is in liquidation and that the other has suspended operations. We are unable to form an opinion as to their value. These shares, and some of the assets agreed to be purchased which are included in the above Balance Sheet, have not yet been transferred by the liquidators of the old company. The stocks (except those at Durban, which are included at £1,293 14s. 4d.) have been taken and valued by the company's officials. The local auditor states that the Durban stock has not been taken, and that he had no means of verifying the figure at which it is entered. Subject to these remarks, in our opinion, such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company."

In this case also the directors' report and accounts were adopted by the shareholders, apparently without discussion, and thus the conclusions that one comes to are (1) that even when an auditor's report is not appended to the foot of the Balance Sheet its contents may very easily find their way into the press; (2) that even when the auditor's report is published and circulated among the shareholders, and shows good grounds for further inquiry into the accuracy of the accounts before they are passed, it is more likely than not that the shareholders will disregard the auditor's warning unless something definite or tangible has occurred to shake their confidence in the directors.

Our third case relates to the accounts of the Economic Bank, Lim., for the year ended 31st March 1904. The report of the auditors in this case was not circulated with the Balance Sheet, but was prepared to be read at the annual meeting. So far as we are aware, its

contents first appeared in the press during the hearing of the charge against MASSEY, which resulted in his conviction a short time since. From the account of the proceedings which appeared in *The Financial News*, we gather that this report was made by the auditors to the shareholders in the following terms:—

> "We beg to report that we have audited the Balance Sheet of your bank, as at March 31 1904, and, subject to the following observations, in our opinion such Balance Sheet is a full and fair Balance Sheet, properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company. The item of deposit with the Financial and Commercial Bank, Lim., is one to which attention should be drawn. The transaction which led to this deposit was one whereby the Financial and Commercial Bank subscribed at par, and paid for, 36,859 shares of your bank, on the terms that the Economic Bank should simultaneously deposit an equivalent amount with the Financial and Commercial Bank for a period of two years. The powers conferred by the memorandum and articles of association of the Economic Bank are very restricted, and it appears to us at least doubtful whether the bank have power to make such deposit; and, in the circumstances, we feel it our duty to bring the subject before the shareholders for their consideration."

It is, perhaps, hardly reasonable to expect that any definite conclusion should be arrived at as a result of dealing with only three cases revealing a distinct difference of opinion between auditors and directors. At the same time it would appear that the deductions that may be legitimately drawn from these instances are chiefly of a negative kind. It would seem as though the non-publication of the auditors' report does not by any means necessarily ensure that its contents will only be disclosed to the shareholders, although there can be little doubt that the secret was well kept by the Economic Bank in 1904. In the second place it would seem that, no matter what the standing of the auditors, their warning, however clearly expressed, is powerless to impress upon shareholders the need for further and prompt inquiry into the position, so long as nothing has transpired to ruffle their equanimity. The shareholders of the Economic Bank clearly had ample warning that it was doubtful whether the business was being run upon the secure lines that had originally been mapped out for it; but the idea of inquiring into the doubt, and settling it definitely one way or the other at the time, seems never to have occurred to them. It would be interesting to have full particulars of the few cases—be sure they must be few—in which the warning sounded by the auditors has been attended to and followed up promptly and upon businesslike lines, with a view to settling beyond all doubt whether or not the accounts had substantially disclosed the full position of the undertaking.

Notes on the Evidence

TAKEN BY THE

Select Committee on Income-tax, 1906.

By R. N. CARTER, F.C.A.

(*Continued from p. 242.*)

SIR T. HEWITT saw no difficulty in differentiating between earned and unearned incomes [2,308], but had come to the firm conclusion that graduation was absolutely unworkable [2,312].

Mr. Phillips considered that the charging of a maximum sum, and then accomplishing graduation by repayment, would accentuate the tightness of money which now exists in January, February, and March (2,438), and to make the tax payable in two instalments would only cause that stringency to occur twice a year instead of once [2,442].

Sir F. Schuster supported Mr. Phillips [2,862, 2,884], but Mr. A. H. Mills differed [3,048].

Questioned as to a tax of 1s. affording inducement for evasion Sir T. Hewitt said there was *some* evasion

and the Board had had a series of prosecutions, and treble duty had been imposed in single cases amounting to many thousands of pounds. The Commissioners had felt it their duty to press for penalties [2,080]. He was against asking for individual returns of total income [2,226], except for abatement purposes.

His fear in connection with a searching system of personal return of total income by every one was the possibility of "passive resistance" by large bankers, merchants, &c. The present smooth and effective working of the income-tax machinery was astonishing, but he doubted whether it would carry the strain of such compulsion [2,287].

Sir Henry Primrose stated that there were 940,000 assessments to Schedules D and E; about 750,000 people stated their *full* income for the purpose of claiming exemption or abatement; and the remaining 200,000 only stated assessable income [9,394].

In passing, one may note his remark that the Scotch are extremely methodical, and if told to make a payment by a particular date they do so; that in Glasgow, for instance, the authorities are positively incommoded in the early days of January by the rush to pay taxes!! [103.]

The additional tax would, he assumed, only be levied on *individuals* [129], not on companies.

After a very long examination as to the relative merits of a general taxation at one rate with graduated abatements by way of repayment or a super tax, he very aptly pointed out that it would be inconceivable to have a tax levied under such circumstances that 99 per cent. of the people were to obtain deductions or repayments [214].

Dealing with the various schemes for graduation in the colonies and foreign countries, he pointed out that in all those cases sooner or later a point is arrived at, beyond which taxation remains at the same rate; moreover, *direct assessment* existed in each case [16].

He stated that in six cases out of seven abatement was allowed off a taxable source of income, and not by way of repayment [36].

Mr. Bernard Mallet stated that the income-tax played a more important part in foreign and continental systems of taxation than in the British colonies. For example, in Prussia one third of the tax revenue is from income-tax, whereas in New South Wales the proportion is only one fifty-sixth [218].

In Prussia there is a graduated tax of:—

0·6	per cent. on an income of	£45
1·0	" " "	60
2·0	" " "	60
3·0	" " "	500

reaching (in 75 grades) a maximum of:—

4·0	per cent. on incomes exceeding	£5,000

[222]

and in other States similarly [227].

He stated that in most cases this was raised by direct assessment [227], but he did not think there was any reason to suppose there was a serious amount of evasion [264]—he spoke particularly of Prussia—the administration being rigorous and the people very submissive to the officials [270]; but Mr. Chiozza Money did not agree as to the submissiveness [692].

Mr. Mallet said there was nothing abroad in the nature of the proposed super tax. All foreign countries *stopped* at the point it was now proposed to begin at [365], though in Cape Colony there was an extra tax on incomes of £5,000 and upwards [399].

He did not think collection at the source could be given up, and if graduation was to be introduced, he favoured the super tax [384].

He thought it would be difficult to work differentiation and graduation in one tax [419].

He suggested four ways of effecting differentiation [275]:—

(1) By a combination of income-tax with property-tax, as in Prussia, &c.

(2) By separate taxes, one affecting earned income, and the other unearned, as in the Netherlands and most Swiss cantons.

(3) By taxing different sources of income with an income-tax at different rates, as in Italy.

(4) By separately unrelated taxes, as in the United Kingdom.

By regarding estate duty as a deferred income-tax, and calculating the premium payable to insure against the same, he arrived at 5·26 per cent. as the amount payable on an income from property of £401, as against 3·12 per cent. (1s. in the £ on just over £400 abated) on an earned income [277].

Taking an income of £200,000, the respective amounts were 9·01 per cent. and 5 per cent. [282].

As a whole he considered differentiation in the United Kingdom was, by the various methods we adopt about equal to that in foreign countries [346] but our graduation was on a very rudimentary scale [347].

In Italy—

Dividends on Government securities are taxed at ... ... 20 per cent.
Dividends on Shares, &c., taxed at ... 15 „
Trade Profits taxed at ... ... 10 „
Salaries ... ... 7½ „ [356-7]

but this system does not obtain elsewhere in Europe except in Spain [357].

Mr. Chiozza Money stated that in Prussia a company is allowed 3½ per cent. for interest on capital, and the balance of profit is taxed; and the profit is again taxed in the hands of the recipients as dividend [864].

He brought forward figures that one-thirtieth of the population enjoyed one-third of the income of the entire nation [516].

His suggestion was for a graduated property and income-tax as follows (p. 64 of Report):—

SUGGESTED GRADUATED PROPERTY AND INCOME TAX.

Income	A Incomes derived from Employments, Trades, Professions, &c.	B Incomes derived from Land, Houses, Stocks, Shares, Sleeping Partnerships, &c.
	Pence in the £	Pence in the £
£100 or under	Exempt	Exempt
Above 100 and not exceeding £160	Exempt	12
„ 160 „ „ 200	2	12
„ 200 „ „ 300	4	12
„ 300 „ „ 400	5	12
„ 400 „ „ 500	6	12
„ 500 „ „ 600	7	12
„ 600 „ „ 800	8	12
„ 800 „ „ 1,000	10	12
„ 1,000 „ „ 2,500	12	14
„ 2,500 „ „ 5,000	16	16
„ 5,000 „ „ 7,500	18	18
„ 7,500 „ „ 10,000	20	20
„ 10,000 „ „ 25,000	22	22
25,000 and over	24	24

but he was not particular as to detail—he only dealt in principle [804].

His proposal was for incomes of trades to be taxed at a graduated scale on personal return, unearned incomes at a normal rate of 1s. by deduction, and a further tax on personal declaration [735].

He thought evasion could be checked by—

(1) Examination of lists of shareholders.
(2) Obtaining names of landlords from tenants.
(3) Death duty records.
(4) Power to call for books, bank books, &c. [627 *et seq*].

He approved the present figure of £160 for exemption [652].

Assuming there to be 10,000 people with £5,000 per annum and upwards, Mr. Gayler said it was difficult to say how many one would have to address to get at the 10,000 [937] perhaps 100,000 [976]. Very complicated details would be required [945] and strong powers [954]. Not only would lists of shareholders have to be examined, but companies would have to return full lists of dividends paid [956]. As to the difficulty of generalising [963] he mentioned the case of a millionaire who held £500 Consols. In an estate valued at £715,000, the holding was as follows:—2 foreign securities; 14 holdings in 7 railways in the United Kingdom; 17 holdings in 10 railways out of the United Kingdom; 22 holdings in 18 public companies.

One millionaire's estate consisted of:—14 ground rents; 861 rents; 4 chief; 117 customary rents; 30 royalties; 4 tithes; 4,175 properties, chiefly ground rents; Consols; India stock; 2 Corporation stocks; 2 Canadian railway stocks; 50 holdings in shares and debentures; 3 mortgages [963].

Power would be required to examine bankers' books [965] and he thought arrears should be recoverable for six years [1,102].

Mr. T. A. Coghlan thought the experience of Australia as to differentiation and graduation would be of much value [1,327].

One pitfall was commencing graduation too high and giving no relief to lower incomes, and the treating of companies as individuals [1,328], though he thought a company should be charged in the scale into which its profit fell, and that there would be no difficulty in repayment to shareholders who fell into a lower scale [1,329].

He favoured a tax on the following basis:—

The first £500 to pay ... 3d.
The second £500 to pay ... 4d.

and so on, thus avoiding the present anomaly of £1 increase on £700 costing tax on £71 [1,337].

He dwelt on the fact of the wealthy being *able* to pay a large tax [1,348], and thought that, though abatement in respect of marriage or number of children would be complicated, it would not be insuperably so [1,385].

With a graduated income-tax and graduated death duties he thought differentiation unnecessary [1,343] (but Mr. H. Cox did not think that the death duties compensated for the inequalities of the income-tax [2,548].

He was opposed to one tax on earned and double that on unearned incomes [1,519].

He submitted four schemes [1,429 *et seq.*] which would yield the same tax as at present, viz.:—

A

£160	to	£700	6d.
700	"	1,500	8d.
1,500	"	2,000	10d.
2,000	"	3,000	1/-
3,000	"	4,000	1/2
4,000	"	6,000	1/4
6,000	"	10,000	1/6
10,000	"	20,000	1/8
20,000	"	40,000	1/10
40,000 and upwards			2/-

C

£160	to	£1,500	9d.
1,500	"	4,000	1/-
4,000	"	10,000	1/3
10,000 and upwards			1/6

B

£160	to	£700	6d.
700	"	1,500	9d.
1,500	"	3,000	1/-
3,000	"	6,000	1/3
6,000	"	10,000	1/6
10,000 and upwards			1/9

D

£160	to	£1,000	6d.
1,000	"	3,000	1/-
3,000 and upwards			1/6

In each case so much as would be between the categories would be taxed at that rate, thus a man with £4,000 per annum would pay 6d. on the first £700, and so on.

He seemed uncertain whether companies should be taxed in the scale into which they fell, but thought the department would have to fix in practice a tax which would apply, so that too much money need not be demanded from individual taxpayers [1,495]. He had not given the practical administration so much thought as to say what that sum should be [1,495]. He did not think that vital [1,496].

He thought the additional work in giving rebates, &c., was exaggerated [1,502].

There was no difficulty in getting declaration of income in Australia, and he did not know why there was here [1,627].

Mr. Philip Snowden thought five conditions should be borne in mind in any new scheme [1,703]:—

(1) There should not be a violent change;
(2) There should be simplicity even at the risk of loss to the revenue;
(3) Any scheme should be in conformity with popular ideas, to secure the co-operation of taxpayers;
(4) Any scheme should afford little opportunity for evasion; and
(5) Should be capable of automatic increase.

Further, any scheme which only produced £3,000,000 to £4,000,000 extra would not be worth carrying out [2,046].

He said the following scheme had been suggested in popular arguments [1,714]:—

Up to £700 as at present (except to give £120 abatement from £500 to £700 [1,713]);
£700 to £1,000 no abatement;
£1,000 to £2,000 + 2d. (additional tax);
£2,000 to £3,000 + 4d.;

and so on, but he did not favour it [1,716].

In spite of disadvantages, particularly deduction of tax from small investors, [1,722] he was in favour of retaining taxation at the source [1,721] and a super tax on incomes over £5,000 per annum, which would be "immensely popular" [1,733-4]—*to those with less* [1,735]. It would be very valuable as an experiment, and the principle could be readily extended [1,736, 1,980]. Differentiation on incomes below £1,000 he considered impracticable [1,732].

He was not prepared to grant that any income over £50,000 per annum was earned [1,864], but considered a cotton spinner who went day by day to business and made £100,000 "earned" it [1,968], but Rothschild's income was not in his view "earned" [1,859]. He thought the profit of a privately owned and privately managed company was "earned," but that of a public company "unearned" [1,966].

But for his desire not to disturb present regulations more than possible, he preferred a graduated tax rather than the present system of abatement [1,994].

On incomes of from £5,000 to £8,000 he proposed (experimentally) [1,756] a super tax of 6d. on "earned" incomes and 1s. on "unearned" [1,752]; on £8,000 to £10,000, 9d. and 1s. 6d. respectively; on £10,000 to £15,000, 1s. and 2s. [1,759]; on £15,000 to £25,000, 1s. 6d. and 3s.; £25,000 to £50,000, 2s. and 4s. [1,761]; over £50,000 (assumed to be all unearned) 7s. [1,763].

Mr. Harold Cox was in favour of graduation up to £1,500 or £2,000, but not further [2,478], above that figure the number of persons was so few as not to be material. Moreover, a man with £2,000 a year did not complain at being taxed at the same rate as one with £5,000 or upwards [2,637]. He proposed a "normal" tax of 1s. as at present, with an abatement of 1d. in the £ down to £1,200, 2d. down to £1,000, and so on [2,482]. In case of increase, his suggestion was to increase by *percentage*, not by *addition*, thus avoiding the possibility of an increase *doubling* the tax for a low rate, whilst only adding 7 or 8 per cent. to higher rates [2,486].

As to differentiation, he favoured categories of incomes—*e.g.*, a schoolmaster (dependent on his brains only) should be entitled to a larger abatement than a shopkeeper (who used capital as well as brains [2,500]). He thought this would get over the difficulty of whether a dividend from a private limited company was "earned" or "unearned" [2,508].

He considered the difficulties of the changes so great that they could only be undertaken in connection with a complete reform of the income-tax [2,511]. The whole taxation of the country, direct and indirect, should be taken into account [2,520], his ideas being to bring home financial responsibility to the entire electorate of the country [2,528]. His suggested graduated tax would in time (say 50 years) do away with rating as the main feature of local revenue [2,539]. He favoured a combined system of graduation and differentiation—*e.g.*, a person with an "unearned" income of £500 a year would pay 1s. in the £ by way of deduction; one with an "earned" income of £500 would first have *some* abatement (say £100)—he spoke in principle only. If 6d. was the tax for a £500 income, and 5d. for a £400, the former would recover 6d. by repayment; the latter would pay 5d. in the £ on £400 [2,595].

It will be seen that, as a whole, Mr. Cox's idea was relief to small incomes rather than a heavy tax on large ones [2,638].

Mr. Gyles' difficulty on the question of differentiation between "earned" and "unearned" incomes was to distinguish between them [2,724]. For example, great friction would be caused if the profits of a private company were considered "unearned" [2,767]. Also all "sleeping" partners in firms would immediately become "active" to come in at the "earned" rate [2,772]. When first he began to investigate differentiation and graduation he had no prejudice and was in favour of both, but his endeavour to find persons (not officials) to clear away practical difficulties had been quite unsuccessful [2,789].

The evidence was brought to a conclusion by a statement read by Sir Hy. Primrose [3,259], and some questions thereon. The purport of the statement was as follows:—

> The difficulty of graduation or differentiation lies not in the thing itself, but in the application of it to the present system of assessment at the source. Two-thirds of the tax is so raised. In the remaining one-third graduation can only be applied in those cases where the income is the whole of the taxpayer's income. The evidence taken goes to show that "practicability" can only be interpreted as "expediency." Graduation may be regarded either as an engine to increase the income-tax by levies on large incomes, or as a means of relieving small incomes. The former would render capital scarce and dear; the latter only involved administrative difficulties. The two methods suggested were "the super tax," and "degression."

Super Tax.

A super tax even on persons with £5,000 a year and upwards could not be levied effectively; *a fortiori* it could not be levied on those with £2,000 or upwards.

The difficulties were:—

(*a*) Discovery of Persons Liable.—A certain number are conspicuous, others would be difficult to reach, and the result would be either that it would be levied on the conscientious and escaped by the dishonest, or that there would be a mass of legal business of overwhelming dimensions.

(*b*) Returns by Individuals.—These would be complicated, and it could not be expected that the taxpayer would throw much goodwill into the matter; they would have to disclose net personal income and family obligations of the most intensely personal and private nature.

(*c*) Verification. — Verification would be difficult and complicated, involving inspection of share registers, examination of instruments creating charges, &c. It was doubtful whether even this would lead to much positive result, and if not successful with moderate frequency would soon lose even negative value as a deterrent.

(*d*) Assessments and Appeals.—Probably paid Commissioners would be required.

(*e*) Staff.—Probably £100,000 would provide, sufficient.

In view of its manifest drawbacks, a super tax ought not to be attempted unless it offered a prospect (which he was unable to see) of increased revenue of really substantial amount.

Degression.

This was already in operation to some extent, and might be enlarged with advantage.

Differentiation.

This was to some extent effected by the death duties. The present arrangement of schedules would afford considerable facility towards differentiating between earned and unearned incomes.

I have already dealt with the *report* of the Committee. The only point upon which there was any great division of opinion among the witnesses in *principle* was that of the super tax.

It will be noticed that the Committee do not accept the views of Sir Henry Primrose, Mr. Gayler, Mr. Gyles, and Sir T. Hewitt, as to the difficulty of obtaining the returns necessary for a super tax and the effect thereof, but that they adopt the view of the other witnesses without expressing any opinion as to the amount of such tax, apparently leaving the Board to choose between the various schemes suggested. With respect to the other conclusions at which they have arrived, I do not think any of the witnesses would dissent from them, except perhaps as to the difficulty in practice of discriminating between earned and unearned incomes.

Weekly Notes.

"Free of Income Tax." An interesting controversy has been proceeding during the past week on this question in the columns of one of the financial dailies. Sir Robert Edgcumbe stated recently in *The Financial Review of Reviews* that shareholders in companies would benefit to the extent of something over a halfpenny in the £ if companies paid their dividends free of income-tax. As an example, he cited the case of a dividend of £10 paid to Mr. Smith. A company can pay such a dividend in two ways, he said: first in the ordinary way, which was to deduct 10s. for income-tax, and pay Mr. Smith £9 10s.; in this case Mr. Smith received £9 10s., but the income-tax on £9 10s. was 9s. 6d., not 10s., so that in addition to 1s. in the £ on what Mr. Smith received, he paid a further sum of 6d., which amounted to a contribution of over a halfpenny in the £ on his dividend. Secondly, a few companies distributed their dividends free of income-tax. Mr. Smith received £10 by way of dividend, the company paying the tax; he thought that Mr. Smith benefited to the extent of 6d. when he received his dividend from a company which paid it free of income-tax. Mr. G. O. Parsons followed up by saying that "free of income-tax" was a confusion of terms, and that if the company had not paid the tax the dividend would have been greater. He also pointed out that the words "free of income-tax" on dividend warrants were misleading, and persons who were entitled to claim repayment omitted to do so by reason of their being under the impression that no tax had been deducted from such dividend. Mr. P. D. Leake, F.C.A., then chimes in to the effect that the apparent gain of a halfpenny in the £ on Mr. Smith's dividend of £9 10s. is caused by calculating the tax on the net income, after paying the tax, which is illegal, as it involves the allowance of income-tax paid as an expenditure chargeable against gross profit before arriving at the taxable profit, so that there can in fact be nothing gained in this direction. Mr. Leake says it should not be overlooked that a company declaring a 10 per cent. dividend free of income-tax is really paying a dividend of about 10½ per cent., but this is not recorded in the published list of stocks and shares, and the company only gets credit for paying 10 per cent. It is thus at a disadvantage compared with a similar company which declares and pays 10½ per cent. without deducting income-tax therefrom in the ordinary way, which it could do out of the same profits as a company paying 10 per cent., free of tax. He suggests that this would have a detrimental effect on the quoted value of the shares in the latter company. Mr. Parsons follows up his previous letter by saying that a company could only pay Mr. Smith a dividend of £10 in one way—namely, by issuing him a warrant for £9 10s. He points out that the Income-tax Acts provide for dividends being taxed at the source; hence, if Mr. Smith received £10, stated to be free of tax, his dividend was £10 10s. 6d. gross, and upon this latter sum Mr. Smith could claim refund, if he was entitled to abatement or exemption. The illustration in support of his point is as follows:—A ground landlord who desires to obtain £10 free of income-tax for a plot of land must let it for £10 10s. 6d., for a rental of £10 would only bring in £9 10s., and he cannot imagine that Sir Robert Edgcumbe would contend that the landlord had paid more than 1s. in the £ in either case, though he has suffered equal deduction with the imaginary shareholder. He, furthermore, suggests that if the directors of the company decide to distribute £10,000 by way of dividend, the sum total of the warrants issued must be £10,000, and he asks what difference can the method of expressing this distribution make to the recipients of the dividend? The tax paid on the sum divided—namely, £526 6s. 3d.—may be disclosed or concealed. There is the distinction, but no difference. The last word at present is with Sir Robert Edgcumbe, who objects to Mr. Parsons' statement that a company can only pay Mr. Smith a dividend of £10 in one way—namely, by issuing him a warrant for £9 10s., and he cites the case of a dividend warrant recently sent out

by a company, which begins:—"I am directed to hand "you the enclosed warrant for dividend of £2 10s. per "cent., free of income-tax, on 400 shares, as declared "at the ordinary meeting of the company, £10." He is not able to understand why the public misinterpret the words "free of income-tax," for on all such warrants the secretary certifies that the income-tax will be paid to the proper officer, and that shareholders claiming repayment of income-tax are informed that the Inland Revenue Department will accept this statement as proof that the tax has been paid. It would be interesting if our readers can give instances, which may be within their experience, where the public have failed to understand the point.

Corporation Stocks. *The Financial News* recently had a very interesting article dealing with the fact that banks were writing down their investments in Corporation stocks considerably. A correspondent of that paper points out that banks allow Corporations to overdraw to such an extent that it is sometimes difficult to subsequently place their finances on a business-like basis. He instances a case where a Corporation owes a local bank something like £200,000 by way of overdraft, and has already issued an enormous amount of 3 per. cent. stock, most of which is held as an investment by the same bank. He considers that this is neither banking nor financing to grant such trading facilities, especially if the Corporation stocks have subsequently to be written down. Another correspondent states that Mr. John Burns should be asked to bring out of the pigeon-hole the report of the Royal Commission upon Municipal Trading, which "denounced as a positive "farce the present system of audit, whereby the auditors "may be, and often are, chimney sweeps, and shoe-"blacks; provided only they are burgesses, this is the "one and only qualification required at the present "moment."

Friendly Societies and Accident Risks. A correspondent of *The Financial Times*, in the course of an interesting article, discusses the heavy costs involved by claims arising from accidents of occupation in industrial districts, which is said to be seriously crippling the funds of many friendly societies. It is pointed out that the tables of contributions and benefits are usually based upon the general sickness experience, which includes illness of members who are working in light occupations. It is where the members are drawn almost exclusively from men following hazardous trades that the sickness cost is loaded with claims caused by accidents, and which involve heavy additional cost upon the funds of those particular branches. The serious deficiencies of these branch funds have had, it is said, to be made good, in some cases by relief grants from the central fund, and in other cases by increased contributions or reduced benefits; and a case is cited where a society is now only paying a reduced amount in sickness benefit to the members who are suffering from accidents and who are receiving compensation under the Workmen's Compensation Act. The payment of reduced benefits is naturally the easiest method of meeting financial difficulties, but it is opposed by the majority of friendly societies working in industrial districts, the contention being that the members have paid for the sickness benefit and are entitled to receive it whatever may be the cause of incapacity. This argument would be all very well, provided the members had actually paid for their liability, but the valuation Balance Sheets are said to show conclusively that this heavy liability has not been paid for by the members, with the result of large and generally increasing deficiencies. Our contemporary's correspondent suggests another method of meeting the liability, and removing the difficulty, and that is to limit the sickness benefit exclusively to cases of specific sickness, and to meet the claims arising from accidents of occupation by means of an annual levy, then a member would have the option of deciding whether he would cover for sickness only, or for sickness and accident combined, the contributions varying in each case, the latter, of course, according to the intensity of the claims falling due. The suggestion in question strikes us as being a very good one, but it does not appear to have been commented upon by any of the officials engaged in friendly society work, and it would perhaps be desirable, before forming a definite opinion, to hear their views.

A Stock Exchange Bank. A correspondent of *The Financial Times* asks "Why fine trade bills should be acceptable for loans at from 4½ to 5 per cent., while the best mixed bonds to bearer are charged at from 6 to 7 per cent.?" The complaint is made that the banks make a discrimination in favour of fine trade bills and against finest securities to bearer, under which they run no risk. It is suggested that as the insurance world soon became tired of solely proprietary offices, and devised the higher form of mutual institutions, a Stock Exchange Bank might overcome the suggested difficulty. Another correspondent, taking up the point,

says a powerful body like the Stock Exchange could easily assist at the formation and upkeep of such a bank. It need not be a contangoing institution, or run counter to Stock Exchange rules. It will be interesting to see what comes of the suggestion, or what reply, if any, the banks have to make.

That Telephone Agreement. In the City of London Court last week, before his Honour Judge Rentoul, K.C., the Postmaster-General brought an action to recover £4 19s. 6d., balance of calls due, and a year's subscription for the telephone. The defendant stated that a year's rent in advance became due last September, and the service had been cut off because he did not pay. His reason for non-payment was that in the previous year the service was only intermittent, owing to a defective and obsolete transmitter being used, which deprived him of the telephone for days at a stretch; he also contended that he was being charged for ineffective calls, and he thought he was entitled to some compensation. He also disputed the number of calls attributed to him. On behalf of the Post Office it was said that no charge was made for ineffective calls; the record of calls was taken down automatically, and the telephone agreement provided that a certificate should be conclusive; this certificate had been furnished. No claim for compensation could, under the circumstances, be entertained. Judge Rentoul is reported to have said that if the service was inefficient a subscriber could make a claim for damages, but he did not think it would be very successful unless something out of all reason were established. The Postmaster-General carried on his telephone for the public's benefit, the telephone agreement being largely to the effect, "we will do the best we can for you, but "we will not be sued. We are a Government depart-"ment, and that means the King, and the King cannot "be sued." The defendant created roars of laughter by remarking, "that means that they can charge us "what they like for what we have not had, and whether "you have had it or not, that does not make any "difference." Ultimately judgment was given for the Postmaster-General without costs, as the witnesses were in his service.

Share Quotations in Paris. The Paris correspondent of *Commercial Intelligence* says that people in England who watch the French market, or rather the official quotations at the Bourse, must very often be puzzled as to what is really taking place in Paris, and especially is this so with regard to the shares of French industrial companies, and the shares of foreign companies in which French capital is invested. It is stated that the quoted prices, which vary so mysteriously from day to day, although supposed to be official, form no guide whatever to the real state of affairs. It seems that by virtue of an arrangement concluded at the Chambre Syndicale, certain "values" are allotted to various *agents de change*, who, it may be remarked, are authorised to guarantee the sincerity of the official quotation. One may have dynamite, another certain Russian industrial ventures, and so on, and each time that an order for sale or purchase is given for shares in any of these industrial companies it is passed on to the agent who is in charge of that particular section. It follows, then, that the agent is the possessor of all the orders, either for the sale or purchase of such shares, and as he is at the same time both the buyer and the seller, the fixing of the official quotation is rather humorous; for our contemporary's representative does not hesitate to say that, if it is thought that the shares of the company in question ought to advance a few points, they are so extended, and if on the other hand it is judged that the shares ought to fall to a certain point, that also affects the official quotation. If these particulars be correct, and we have no reason to suppose that they are not correct, there is little wonder that English readers look upon the quotation of certain shares on the French market as a puzzle.

Secret Commissions. In an action at the Wandsworth County Court to recover the price of goods sold and delivered, the case for the defence was that the purchase was arranged by one of the defendant's agents, who, it had since been discovered, was going to get 2½ per cent. from the plaintiffs for arranging the contract. It was contended that the terms of this secret commission upset any agreement that had existed. Judge Russell upheld this view, and gave judgment for the defendant with costs.

Gold Circulation. The question as to how much gold is in circulation has always been a matter of some controversy. Hitherto the opinion has been held that about eight millions were circulating outside the Bank of England, but of late some doubt has been expressed as to whether this figure is correct. It is reported that, in order to come to a better conclusion on the point, some economists have suggested to the leading banks that on a stated day at a certain number of branches they should take two hundred sovereigns

from their tills, and tabulate their dates of issue. It is contended that the 1906 issue would not be subject to foreign demands and other distributing influences, and, therefore, the number of coins of that issue plus the amount held by the Bank of England and the Joint Stock Banks in their reserves would give some indication as to the amount of the circulation of gold. It appears that the Bank of England will co-operate in allowing the investigators to ascertain how much of the 1906 issue is contained in that institution, but it is doubtful whether the other banks will be able to comply with a similar demand, because of the laborious nature of the work involved. The results of the investigation will, it is said, be published in the autumn, but no very hopeful opinion as to the outcome appears to be held.

Law Students and Bookkeeping. A correspondent of *The Law Times* suggests that the bookkeeping part of the Intermediate Examination of the Law Society should be abolished, and Roman Law and Jurisprudence substituted therefor. We do not quite see the good sense of this suggestion, for in view of current controversies we should have thought that the more knowledge solicitors had of bookkeeping the better. As matters are at present, the Bookkeeping paper set at the Intermediate Examinations of the Law Society is by no means stringent, in fact it is of decidedly an elementary character, and, if the matter were dealt with as it ought to be dealt with, a further and sterner paper should be set at the Law Final. Roman Law and Jurisprudence may be all very well from an æsthetic point of view, but bookkeeping is a matter which comes into everyday practice, and it is important it should not be overlooked or minimised.

The Registration of Debentures. *The Law Times* suggests that the expenses incurred in obtaining extension of time for registration of debentures under the Companies Act, 1900, may be avoided by creating a new charge on the old property under a ten shilling stamp, and registering same within twenty-one days. It is remarked that there might be a question of fraudulent preference, under Section 164 of the 1862 Act, but if there is little probability of the company being wound up in that period this danger is merely nominal. The difficulty as to fraudulent preference may, it is thought, be avoided on the ground that the company whose duty it was to register the mortgage so charged had failed in such duty, and the new charge was merely given to satisfy the omitted obligation. Our readers will doubtless remember that under Section 14 of the Companies Act, 1900, a mortgage or charge shall, so far as any security on the company's property or undertaking is thereby conferred, be void as against the liquidator, and any creditor of the company unless registered as therein provided, but without any prejudice to any contract or obligation for the repayment of money thereby secured. It should be noted that the mortgage or charge is not void for all purposes, and so long as the company is a going concern, and there are no rival creditors, the security is good.

Prevention of Corruption Act, 1906. The following paragraph, which appeared in *The Board of Trade Journal*, has possibly some special significance, coming from such an official source :—

> "Cases of commissions being offered by certain foreign firms on orders secured in this country having been brought to the notice of the Board of Trade, the Board desire to draw attention to the 'Prevention of Corruption Act, 1906,' by the provisions of which the acceptance or agreement to accept by an agent, or the offer or agreement to offer to an agent, of anything in the nature of a secret commission is punishable on conviction to imprisonment, with or without hard labour, for a term not exceeding two years, or to a fine not exceeding £500, or to both imprisonment and such fine, or on summary conviction to imprisonment, with or without hard labour, for a term not exceeding four months, or to a fine not exceeding £50, or to both such imprisonment and such fine. The Act came into force on January 1 1907."

New Extradition Offences. The New Convention, which although completed nearly two years ago was only ratified last December, includes in the list of crimes scheduled in the Extradition Treaty with the United States bribery and offences made criminal by the laws of both countries against bankruptcy law. The significance of the first offence lies in connection with the operation of the Prevention of Corruption Act now in force. It should be considered satisfactory that America can offer no refuge to persons guilty of violating this Act, and this will aid in no small measure to the value of that statute.

Form of Accounts. In reply to our correspondent "Secretary" it is obviously incorrect to state an Income and Expenditure Account with the income upon the debit side, and the expenditure upon the credit. It would be absolutely impossible to construct such an account as a matter of bookkeeping

Occasionally, however, a so-called Income and Expenditure Account is for all practical purposes a summarised cash statement, adjusted to allow for outstandings at the commencement and at the close of the period, and in such cases it may be thought best to still adhere to the Cash Account form, which debits receipts and credits payments. Obviously, however, the practice is technically incorrect, while we do not think that there is much to be said in its favour from a practical point of view.

Mortgages of Ships. *The Solicitors' Journal* points out that in the ordinary way the mortgage of a ship includes the policies of insurance upon her, and in the event of total loss the proceeds of the policies provide for the repayment of the amount advanced by the mortgagee. Where damage is done to a ship which does not amount to a total loss, the usual course is for the proceeds of the average claims on the policies to be applied in payment of the necessary repairs, the mortgagee being usually content that this should be done and allowing the mortgagor to apply the insurance moneys for this purpose or collecting same himself and paying the repair accounts, thus maintaining the ship intact, which is the main security for the advance. It is said that the decision in *Swan & Clelands Graving Dock Co. v. Maritime Insurance Co.* shows that there is no obligation on the mortgagee to apply the insurance moneys in this way, and he is entitled, if he so chooses, to receive them himself on account of the mortgage debt, and leave the mortgagor to bear the cost of the necessary repairs to the vessel. In this case the moneys payable under the policies of insurance were assigned to the repairers as security for the cost of same, and it was claimed that this assignment gave them a title to receive the moneys payable by the underwriters, and, therefore, that the mortgage had no interest in these moneys, except to see that they were applied in repairing the ship. It was shown, however, that this contention was opposed to the terms of the mortgage, as well as to what is considered to be the common understanding of the effect of such securities, and Mr. Justice Channell held that the mortgagee had the prior claim.

Family Jars, Lim. A recent registration under the name of "The Johnston Family Trust, Lim." marks quite a new departure in joint-stock enterprise. The company has been formed, it is said, for the purpose of "controlling certain estates and properties belonging to a well-known Cheshire family of shipowners." The capital is fixed at £25,000 in shares of £10 each, and the stated objects, which, in view of the nature of the undertaking are exceedingly interesting, are as follow:—"To receive money and property in trust; to act as "legal owner thereof upon such trusts as may be "attached; to undertake the office of trustee, receiver, "executor, administrator, manager, and other offices or "positions of trust or confidence; to act as agents for "the investment, loan, payment, transmission and col-"lection of money and for the purchase, sale, improve-"ment, management, and development of property, "including private estates and business undertakings; "generally to transact and undertake all kinds of agency "business, whether in respect of agricultural, com-"mercial, or financial matters; to invest the moneys of "the company in the purchase of or otherwise to "acquire and hold any real or personal property and to "deal with and dispose of the same (but so that no "investment in any trading company involving unlimited "liability shall be deemed to be authorised); to acquire "any investments by original subscription, tender, "purchase, participation in syndicates, exchange or "otherwise, and whether or not fully paid up, and to "make payments thereon as called up or in advance of "calls or otherwise, and to underwrite or subscribe for "the same conditionally or otherwise, and either with a "view to investment or resale or otherwise, &c." There is, of course, no public issue of shares, and stringent provisions are made in the articles of association to prevent outsiders from coming into the concern. In order to avoid those grievances, which, as is well known, occur even in the happiest of families, the members take power to appoint a governing director, who has practically supreme authority. Furthermore, in order to prevent any of those unpleasant little disagreements from becoming public property, it is provided that:—"Neither the company nor the directors may take pro-"ceedings at law against any member, nor may any "member or members take such proceedings against "the company or the directors, or against any other "member or members, with reference to the affairs "of the company, or in consequence of any dispute "arising out of them; but the same shall be left to the "arbitration of any person jointly agreed upon, or, fail-"ing such agreement, of two arbitrators, one appointed "by each party." A financial contemporary draws an amusing picture of the Browns, the Joneses, and the Smiths grouping themselves together into happy little limited liability concerns, but it is said that in the meantime the world will look on with interest while the Johnstons experiment among themselves.

The Late Lord Davey. We regret to record the death of Lord Davey, which took place on the 20th ult. at his London residence. Horace Davey was born in 1833 and educated at Rugby and Oxford. He was called to the Bar at Lincoln's Inn in 1861, and took silk in 1875. For many years he was the acknowledged leader of the Chancery Bar, and his services were much in demand in Privy Council as well as Chancery cases. He was returned to the House of Commons as Liberal member for Christchurch in 1880, and was appointed Solicitor-General in 1886, but being unsuccessful in retaining his seat on this appointment, he never sat in the House of Commons during the few months that he held office. In 1893 he was appointed a Lord Justice in place of Sir Chas. Bowen, who left the Court of Appeal for the House of Lords, and eleven months afterwards he succeeded the late Lord Russell of Killowen as a Lord of Appeal in Ordinary, the vacancy being created by the latter's acceptance of the post of Lord Chief Justice.

The Valuation of Goodwill for Probate. The question raised by our correspondent "Enquirer" last week as to the proper value to be placed on the goodwill of a business for probate purposes where the deceased traded alone is one of some interest, and in practice often one of some difficulty. The principle involved is, however, simplicity itself. Estate duty must be paid upon the net amount of the property of which the deceased died possessed, and the Commissioners of Inland Revenue are ultimately the sole judges on questions of value. The practical question involved, therefore, is how much the Somerset House authorities require the executors to pay by way of estate duty. A value is invariably placed upon the goodwill of a business where the goodwill is of value; but here, as with other valuations for purposes of probate, a moderate valuation decidedly less than what is thought to be the actual realisable value is usually permitted. It is impossible to go further into the matter without having particulars of the exact nature of the business.

The Civil Service Supply Association, Lim. The accounts of the Civil Service Supply Association, Lim., for the year 1906 show a balance of net profit of £45,199, and a gross profit of £264,801, upon sales totalling £1,661,639. It will be of interest to our readers to observe that a member gave notice of a motion moved at the general annual meeting held on the 28th ult. to alter the rules of the association with a view to providing that its auditors must be members of the Institute of Chartered Accountants in England and Wales. The existing auditors are laymen, one being employed in the Inland Revenue Department, and the other in the Paymaster-General's Office.

London County Council Audit. At a meeting held on the 19th ult. the London County Council passed a resolution referring to its Finance Committee the question as to whether it was in the interests of the Council and of the public at large that the accounts of its trading undertakings should be subjected to audit by professional accountants nominated by the Local Government Board, and whether such audit should be in addition to, or in substitution for, that which now obtains. There can be no question as to the view that the Finance Committee will take with regard to this proposal if it considers the interests of the ratepayers. We must confess, however, that we do not quite understand what the reference to the interests of the Council means. The Council should have no interests other than those of the persons it is supposed to represent.

Profits Prior to Incorporation. Inasmuch as preliminary expenses are regarded at law as capital expenditure upon the part of a company, it is obvious that our correspondent "R. W.," whose letter we reproduced last week, is correct in his suggestion that profits made prior to incorporation may be applied in writing down or writing off such preliminary expenses. The main point is that as these profits have been purchased with the capital receipts of the company, they cannot be legally applied towards the payment of dividends. There is, however, no law or rule to prevent the directors of a company from dealing with them otherwise in whatever manner they may think fit. We can quite appreciate that in some cases, where the parties to the negotiations are not aware of the law with regard to profits prior to incorporation, the purchase-price may have been fixed without taking into account the fact that the company would secure the benefit of profits accruing to date; but, however that may be, when the purchase-price is apportioned it will be found that the assets taken over as per Balance Sheet have cost less than their book value by the amount of the accruing profit, so that in effect, however unconsciously, the purchase-price must be taken to have been enhanced because the accruing profits were included in the sale.

Fluctuations and Profits. We have been able to arrange with Mr. Francis G. Burton, F.S.A.A., for the reproduction in these columns of the paper on "Appreciation of Municipal Assets," read by him at a meeting of the Manchester Statistical Society on the 23rd January last, which we commented upon shortly in our issue of the 9th ult., and we propose to further discuss the various points involved in due course. In the meantime, however, we should like to point out that while, in our opinion, the Manchester practice of treating capital fluctuations as revenue is entirely indefensible, it must not be supposed that such a practice is general among local authorities. It is true that few local authorities frame their accounts upon lines that are entirely unexceptionable, but we know of none other than Manchester that entirely fails to appreciate the very necessary distinction between Capital and Revenue.

Duplicate Receipt Books. At the Middlesex Quarter Sessions on the 23rd ult. a man named Hatton, who for the past twenty-four years had been in the employment of the Willesden District Council and its predecessors, pleaded guilty to falsification of accounts and was sentenced to twelve months' imprisonment. It was stated that the prisoner had succeeded in hoodwinking the Government Auditor for many years by the well-worn device of providing himself with duplicates of the official Receipt Books. It ought not to be difficult for a really alert auditor to detect so transparent a fraud within a comparatively short time, but we would suggest that manufacturing stationers who supply official forms to private individuals without any reasonable inquiry into the circumstances are guilty of extreme carelessness, and ought reasonably to be held responsible for the consequences. With a proper system of audit it ought to be impossible for anyone to obtain duplicates of official forms, save under circumstances that would be clearly suspicious to the firm taking the order.

The Railway Passengers Assurance Company. The 58th annual general meeting of the Railway Passengers Assurance Company will be held on the 6th inst., when the directors' report and account for the year ended 31st December last will be submitted for approval. The accounts show a gross premium income of £343,291, as against £323,815 in 1905, but the amount disbursed in respect of claims works out at 54·23 per cent. of the gross premium income, as against 53·30 in the previous year. After payment of all charges there remains a credit balance on Revenue Account of £215,249, which, however, includes £165,865 brought forward from the previous year. The directors recommend a transfer of five thousand pounds, and the payment of a dividend, which, together with the interim dividend already paid, will represent 20 per cent. on the paid-up share capital, free of income-tax.

Bankruptcy Law Amendment. The twenty-eighth meeting of the Bankruptcy Law Amendment Committee was held on the 21st ult. at the Royal Courts of Justice, Mr. Muir Mackenzie (the chairman) presiding. Evidence was given by Mr. Oscar Berry, F.C.A., representing the London Chamber of Commerce, and Mr. A. R. O. Gery (of the firm of Messrs. Gery & Brooks, Solicitors, of Old Cavendish Street, W.). Mr. Berry dealt generally with the whole of the matters which the Committee have under consideration, and handed in as part of his evidence a memorandum embodying the conclusions of the London Chamber on these matters. Mr. Gery's evidence related principally to the question whether married women should be made amenable to the bankruptcy law, and as to the consequences of bankruptcy on a married woman's property.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Costing in a Bottle Manufacturers' Business.

(*To the Editor of The Accountant.*)

SIR,—A firm of bottlemakers is in the habit of making various sizes of bottles out of the same tank, and they have some difficulty in arriving at the costs of each size. The wages of manufacture are charged direct to each class of bottle, but certain charges such as coals, glass, packers' wages, &c., are common to all the bottles. Formerly, they ascertained the weights of the different

kinds of bottles manufactured, and apportioned the above charges to each class according to the weight. It has been pointed out, however, that while this may be quite correct with regard to cost of glass or coals it is incorrect with regard to packers' wages and charges of that kind, as a packer will take much longer to pack up and send out a case of small bottles than he will take to the same weight of large bottles. My suggestion was that the items where an apportionment by weight would be inequitable ought to be eliminated and dealt with on the basis of the number of the different kinds of bottles manufactured. This has been objected to, however, on the ground of expense, and I shall be glad to know if any of your readers could help me with a simple system of costing, keeping in view the above facts.

Yours faithfully,

W. B. S.

Fluctuations and Profits.

(*To the Editor of The Accountant.*)

SIR,—I think most accountants will appreciate your article, under the above heading, in *The Accountant* of February 9th. The Manchester practice seems to me to deserve not only the reprobation of Mr. Burton, F.S.A.A., but that of all wise and prudent accountants. In your issue, however, of the 23rd inst. I see that Mr. Burton replies that the Markets Committee had £2,611 10s. 6d. in the bank, and £2,504 11s. 8d. owing by sundry debtors, making a total of £5,116 2s. 2d., and he asserts "*that ordinary revenue would find the gold*" needed. It certainly would to the extent of the surplus income £6,704, but your main point is emphatically: Where does Manchester get the extra £4,296 from, which the Markets Committee contributed last year in aid of the City rate over and above actual profit earned? *They must have used a portion of their borrowed money.* If Mr. Norbury Williams, our elective auditor, drew the attention of the Local Government Board (Loans Department) I think they would strongly *veto* any such proceeding as that of last year.

Yours truly,

25th February 1907. MUNICIPAL PURITY.

Trustees under Deeds of Arrangement.

(*To the Editor of The Accountant.*)

SIR,—Referring to the leading article in your issue of the 23rd inst., under the heading "Trustees under Deeds of Arrangement," I think you rather misrepresent my evidence in the case of *Aultman and others v. Parkin*, when you say that I agreed that the basis of remuneration should be by way of *commission* on the assets realised and distributed.

If you again refer to the Law Report in your issue of the 9th inst. you will see that I "pointed out that "the charges made by an accountant were based upon "the amount of *time* expended in the administration of "an estate."

This, to my mind, is the most equitable system, undoubtedly, and the system which, while adequately remunerating the painstaking and skilful trustee, will, as a rule, give the best results to the creditors.

I quite admit the risk of abuse to which you call attention, but, no matter what safeguards be devised, the probability is the unscrupulous person who for the moment finds himself in the position of trustee will also find scope for dishonesty.

Yours truly,

S. TAYLOR GILL,

President of the Sheffield Society of Chartered Accountants.

26th February 1907.

Company: Change of Name.

(*To the Editor of The Accountant.*)

SIR,—As a constant reader of your paper I should feel obliged if you could inform me if, when a company changes its name, it is necessary to call in the share certificates for alteration to the new name or if new certificates have to be issued?

Yours truly,

19th February 1907. STUDENT.

Hotel Goodwill.

(*To the Editor of The Accountant.*)

SIR,—I should be much obliged if you would kindly tell me of a book on the Valuation of Goodwill of Hotels and Boarding Houses.

Yours faithfully,

27th February 1907. A.C.A.

Chartered Accountants' Chess Club.

THE first meeting of the above Club will be held at 6.15 p.m. Monday next, March 4th, in the Meeting Room of the Institute of Chartered Accountants.

It is asked that all chess-playing Chartered Accountants (or, of course, articled clerks), if unable to be present, will communicate with Mr. H. J. Snowden, A.C.A., of St. Michael's House, Basinghall Street, E.C., so that the strength of the Club may be gauged as nearly as possible.

Reviews.

Forms and Precedents for the Use of Accountants.

Edited by GEO. LISLE, C.A., F.F.A.

Edinburgh, 1906: Wm. Green & Sons. Vol. I. Price 20s.

This volume, which takes the reader down to "Judicial Trustees," contains a considerable amount of useful and practical information, which can hardly fail to be of value from time to time to all practitioners. It appears to represent a supplement to the same publishers' "Encyclopædia of Accounting," and apparently advantage has been taken of its issue to remedy certain omissions in the earlier and more important work.

Personal.

MESSRS. FORD, RHODES & FORD, Chartered Accountants, of 81 Cannon Street, London, E.C., have taken into partnership Mr. ARTHUR PELHAM FORD, who is the son of their Mr. JAMES FORD, and has been associated with them for many years. He becomes a partner also in the firms of FORD, RHODES, FORD & CO., Australia, and FORD, RHODES, CARTER & CO., South Africa.

Meetings for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Examination Committee, at 2 p.m.; Examination Sub-Committee, at 12 noon.

Wednesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Finance Committee, at 12 noon; Council Meeting at 2 p.m.

LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY. Lecture, "The Incidence of Taxation," by Mr. G. Armitage Smith, D. Lit., M.A., at the Hall of the Institute, Moorgate Place, E.C.; 6 p.m.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Some Notes on Accountancy Subjects," by Mr. H. P. C. Kelland, at the Library, Hoole's Chambers, Bank Street, 6.45 p.m.

Thursday—LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Lecture, "The Accounts of Professional Men," by Mr. M. Webster-Jenkinson, A.C.A., at the Law Institution, Albion Place, Leeds; 6.30 p.m.

Friday—NOTTINGHAM CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Practical Hints on Vouching," by Mr. H. Lanham, A.C.A., at 1 King John's Chambers, Bridlesmith Gate; 7.30 p.m.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Feb. 22nd, was 179, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 87; Deeds of Arrangement registered, 92. The respective numbers in the corresponding week of last year were: Bankruptcies, 96; Deeds of Arrangement, 64—total, 160; being an increase of 19. The total number of commercial failures recorded during the 8 weeks of the present year is 1,203; the total number recorded in the corresponding 8 weeks of last year was 1,329, showing a decrease of 126.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Feb. 22nd, was 171. The number in the corresponding week of last year was 161, showing an increase of 10. The total number filed during the 8 weeks of the present year is 1,138; the total number filed in the corresponding 8 weeks of last year was 1,234, showing a decrease of 96.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Feb. 22nd, amounted to £1,104,153, by way of addition to £669,554, previously issued by the same companies. The amount registered in the corresponding week of last year was £3,373,339, showing a decrease of £2,269,186. The total amount registered during the 8 weeks of the present year is £13,389,462 (in addition to the issues in previous years by the same companies), as compared with £12,202,335 for the corresponding 8 weeks in 1906, showing an increase of £1,187,127.

The annual dinner of the staff of Messrs. E. Layton Bennett & Company, to the number of thirty-seven, was held at the Holborn Restaurant on Monday, 18th ult. The chair was occupied by Mr. E. Layton Bennett, and a very enjoyable evening was spent. An excellent programme of music, and an amusing sketch, written and played by some of the members, was given. Mr. George Lynch, the well-known war correspondent, who was the guest of the evening, gave a highly humorous account of his captivity in Ladysmith during the Boer War.

The Profession in Scotland.

The Glasgow Chartered Accountants Students' Society.

Trusts—An Outline of the Course to be followed in their Administration.

By WALTER NELSON, C.A., Glasgow.

(*Continued from page 264.*)

As to the speediest and cheapest mode of realising stocks and shares, it is generally found that the sale of these is best carried out through a good firm of stockbrokers. Where the stocks or shares are not quoted in the lists of the various Stock Exchanges throughout the kingdom, a capable firm of stockbrokers may, nevertheless, be able to secure buyers. Failing them, application to the secretary of the company in question may sometimes lead to a sale being effected. Advertising in the press is seldom a good medium for securing a purchaser for shares undealt in on the Stock Exchange, and is expensive. It may, however, be resorted to should other means of effecting a sale fail.

Life Insurance Policies.—The amounts payable under these policies are usually recoverable immediately on proof of death and of title being furnished the insurance companies. Where there is no complication of title, trustees are in a position to get payment when the confirmation is expede. The insurance companies naturally require clear proof of death and of identity, and the forms which are customarily required to be filled up are (1) certificate from the medical attendant of the deceased, specifying cause of death and duration of illness; (2) registrar's certificate of death, or, in the case of English companies, certificate from the sexton certifying burial; (3) certificate to be granted by a friend bearing that the deceased is the person described in the policy. These forms are supplied when intimation of the death is made to the companies, and on their being returned completed, and on presentation of the confirmation (showing that the sums payable are duly entered therein and giving the names of the executors), and of the policy with a discharge endorsed on it and executed by the executors, payment will at once be made.

Ship Shares.—It is not generally an easy matter to dispose of these shares. The market in them is somewhat limited, and the facilities for realisation which pertain to shares of companies quoted in the Stock Exchange Lists are here lacking. The risk of sudden and unforeseen depreciation not infrequently attaches to the possession of even one sixty-fourth share in a ship, and, generally speaking, investments in ships are subject to such fluctuation in price as to render them unsuitable for trustees to hold. As a rule, an application to the firm or person entrusted with the management of the vessel may prove serviceable in procuring a purchaser. Failing this, the sale of the shares may often be secured through the medium of a good firm of shipbrokers. Resort is sometimes made to advertisement in shipping or local newspapers, but this mode is not usually so effective as either of the two preceding. In every case it is expedient, for the information alike of sellers and purchasers, that the accounts for several voyages prior to the date of sale should be secured, if practicable. Particulars should likewise be kept on hand as to the class, size, and cargo capacity of the vessel, and amount of the insurance effected on the hull.

Bad and Doubtful Investments.—It is matter of surprise how we often find amongst the otherwise well selected securities of our business men a goodly sprinkling of worthless investments. Trustees should make it their duty at an early stage of their administration to weed out all such. If they are ascertained to be bad and valueless, the factor should be instructed to write them out of the Trust Accounts—a resolution to that effect being duly minuted by the trustees. If there is a market for them, at however small prices, it is best to get rid of them at once. Where liability attaches to the retaining of such investments (for example, in the case of shares in a moribund company which are subject to further calls) the extent of the liability should be forthwith ascertained and noted; and if the investments cannot be realised, care should be taken to make ample provision out of capital at the outset of the administration against all such open or contingent liability. Neglect of this precaution may lead to serious difficulty should a large division of the estate be made at an early period of the administration. A public sale, after due advertisement, may sometimes be tried with success in the case of these investments, but trustees will require to be guided pretty much by the nature of the securities and the circumstances of the estate.

Partnership Interests and Joint Adventures.—No time should be lost in ascertaining definitely the interest of the deceased in any concern of which he was a partner. The contract of co-partnery generally specifies the basis on which a deceased partner's interest is to be computed, and the manner in which the interest, when computed, is to be paid out by those continuing the business. It often happens, however, that the provisions in the contract are not strictly applicable to the case in point (where, for example, a partner dies after a Balance Sheet has been struck, but before it has been approved and docquetted by all concerned), and it may be necessary to have the Balance Sheet and, as matter of consequence, the books of the concern examined and reported on for behoof of the trust

estate. The judicious course for trustees to pursue in circumstances of the kind is to call in the services of a professional accountant. If the interest of the deceased partner is a large one, it may likewise be advisable, all parties being agreeable, to retain the services of the accountant for the purpose of reporting on the progress and position of the business during the period intervening between the death and final settlement. Once the amount of the deceased's capital is determined, the instalments by which it is to be paid out can be readily calculated. The first instalment should include the interest on the *whole capital sum* from the date of death to the due date of that instalment, and each succeeding instalment should include the interest due on the unpaid balance of capital since the date of payment of the preceding instalment. To make each instalment include interest on that instalment for six, twelve, eighteen, thirty months, or as the case may be, as is sometimes done, not only creates confusion in making up the Trust Accounts, but is a positive hardship to the beneficiaries where they are liferenters merely. If the capital is not paid out by regular instalments, but at varying times and in sums of varying amount, care should be taken to see either that the interest due on the capital sums outstanding, up to the date of such partial payments being tendered, is duly liquidated, or that the party tendering payment concurs in the sum paid being apportioned first in settlement of the accrued interest and then towards reduction of the capital.

Where the deceased had an interest in a joint adventure, the prudent course will usually be to close his connection therewith at the earliest date compatible with the circumstances of the case. Usually the other persons interested can arrange to buy out the deceased's share—the remaining members assuming, of course, the deceased's liability for any advances negotiated in connection with the adventure. Considerable caution requires to be exercised in closing connection with joint adventures, and trustees should in cases of the sort keep in close touch with their legal adviser throughout their negotiations and until a final settlement is attained.

Loans on Heritable Security.—Loans of this character are very suitable for trust funds, and form one of the principal outlets for investments open to trustees. If, then, such loans should form a portion of the assets of the estate the trustees should carefully consider the position of these, with a view to deciding on their retention or realisation. The prudent course is to instruct their legal adviser to furnish particulars (rental, feu-duty, extent of ground, &c.) of the properties over which the loans have been granted to an able practical valuator, requesting him to report to them as to the value of the property. The valuator should be instructed and employed *independently of the owners of the property*, and if the value as disclosed by his report is such that the loan does not exceed two third parts of it, and the position of the loan is in other respects satisfactory, it may be retained. Should there not be a sufficient margin of value, however, or should the loan be unsatisfactory from other causes (as, for example, by reason of there being an unallocated feu-duty of considerable amount affecting the property), the legal adviser should be instructed to call it up. Where default has been made in payment of the interest, and the free rental of the property appears insufficient to extinguish the arrears, it is recommended that no time should be lost in calling up the loan, and, failing payment, in exposing the property for sale in virtue of the powers contained in the bond. It is seldom, indeed, that the hopes of getting clear of such an investment without loss, by holding on to the property, are realised, and it is far better to cut the loss at once.

Heritable Property.—Where the estate consists in part of heritable property the legal adviser should be instructed to prepare a report thereon for the information of the trustees, and to call in to his aid in framing it the services of a skilled valuator. If the property is subject to burdens of any kind the nature and amount of these should be disclosed in the report, which should likewise contain the valuator's suggestions as to upset price, in case a sale is eventually decided upon.

(1) *Land and Buildings.*—The position and circumstances of the trust estate, coupled with the law agent's report, will help the trustees in coming to a decision as to how they should deal with this class of property. If they decide on realising, the subjects of sale should be fully and widely advertised, whether the sale is to be by public roup or private bargain. In some cases a better price can be secured where the subjects are sold privately, but, generally speaking, a public sale, seeing it often tends to keen competition, produces the best results, particularly where the upset price is fixed at a moderate figure. As a rule, the early months of the year are the best for selling heritable property; and, if the price is judiciously fixed at a figure to tempt buyers, and the property adequately advertised, a sale will most likely result.

(2) *Feu-Duties and Ground Annuals.*—If these are well secured they may be retained. Where they are secured over public works, or are of a large amount and secured over warehouse property, it is better to realise them. Until recently there existed a steady demand for this class of security, and both feu-duties and ground annuals found a ready market at any time of the year, whether sold privately or by public roup. Agitation for the taxation of land values has affected the market for this class of security, and prices have within the past year or two fallen considerably. If well secured they still command

from twenty-five to twenty-seven years' purchase. If only moderately secured, the best results are obtained by exposing them for sale by public roup, at a price, say, of five (or more) years' purchase less than above stated.

Distribution of the Estate.

In marriage contract trusts a division of the estate does not generally take place until the death of one, or both, of the spouses. In testamentary trusts, on the other hand, a division of at least part of the estate usually falls to be made shortly after the death of the testator.

The first point to be attended to is to see that the claims of Government for duties have been met, or duly provided for. Thus, if there be legacies left under the settlement, legacy duty will be payable on these at the rate appropriate to the degree of relationship of the legatees to the testator. If the fund bequeathed is of the nature of a settled fund (that is to say, a fund administered meantime in liferent, and which does not vest, or become payable, until a certain date, or until the happening of a certain event) settlement estate duty will fall to be paid. Then, if the residue is immediately payable, legacy duty will be due upon that portion of it which is of the nature of personal estate, and succession duty on that portion of it which is heritable in character.

Having either liquidated or provided for the claims of Government the next duty of the trustees is to ascertain the position in which the trust funds stand—that is to say, (*a*) what securities have been realised and converted into cash; and (*b*) what securities are unrealised, carefully distinguishing such as are readily marketable from those that are of doubtful or undeterminable value. The factor's accounts, with a vidimus prepared to show the stage reached in the administration, will afford the requisite information on the points last referred to.

In determining the sum total available for distribution, there may be added to the cash in hand the values of such of the unrealised securities as are properly marketable, provided the valuation is made on strictly business lines. If portion of these unrealised securities consists of railway debentures or preference stocks, corporation stocks, or similar first-rate securities of a class which the trustees are at liberty under the settlement or by statute to retain, and mean to retain, the values of these should be ascertained, as of the date of the proposed distribution, by a certificate under the hands of (1) two members of the local Stock Exchange, or (2) the Secretary of that Exchange. If portion of them consists of securities of a lower class than that last mentioned, but perfectly marketable—which securities the trustees do not, however, intend to retain—unless the beneficiaries agree to take over these in part payment of their provisions, they should be set aside and held in suspense pending realisation. If portion consists of feu-duties, or ground annuals, a report by a competent property valuator on the properties over which these are secured, and relative valuations by him, will determine the prices at which these are to be valued, if retained. Similarly, in the case of bonds heritably secured the trustees may, on the report of a skilled valuator as to the sufficiency of the margin, determine on retaining certain of them, and impute the amounts of such bonds as are retained towards the fund for distribution. In the case of furniture, personal effects, and jewellery, trustees are frequently asked to allocate these amongst the members of the family or relatives. If this is done the appraiser's valuation made for confirmation purposes should not be taken as the criterion of value in a distribution, but a fresh appraisement "as for a sale and division between parties" should be procured. As a general rule, trustees will prevent a good deal of heart-burning if they simply instruct an auctioneer to dispose of the whole effects, leaving such of the beneficiaries as desire to become possessors of family relics to bid for them at an open sale.

All unrealised investments, even though *ex facie* good investments, which are unmarketable, and all doubtful securities—in other words, that portion of the estate which cannot be converted into cash, as of the date of the proposed distribution—should be set aside and held in suspense, and under no circumstances computed as part of the fund for division.

Having determined the amount available for distribution, the next duty of the trustees is to ascertain how the sum falls to be apportioned. In this matter they will, of course, rely on the advice of their law agent, who should explain clearly to them the order in which payments fall to be made in terms of the settlement. In the first place, adequate provision for any unpaid debts, claims, expenses, or other outstanding liabilities must be made; and, if the deceased held shares in companies whose capital has not been fully paid up, a reserve should be made for the total amount of the uncalled liability. The first general purpose of the settlement will next fall to be implemented, and as this is frequently of the nature of an annuity, or provision of similar nature to the widow, it is expedient that a sufficient portion of the capital available for distribution should be set aside as a fund to yield such annuity. In estimating the amount of this annuity fund a low rate of interest should be assumed—at the present day 3 per cent. would be a fair rate—and so in the case of an annuity of, say, £120 per annum a fund of £4,000 would be required.

The next purpose will probably be the payment of legacies. These are either "special"—that is to say, legacies of particular articles, stocks, or investments, &c.—or "general"—that is to say, legacies not of a speci-

article, but indefinite, of so much money or moveables. The special legacies are preferable to the general, and, indeed, almost always form the first charge on the free estate. After settlement of the special legacies, payment of the whole of the general legacies should be made or provided for, if the balance in hand permits; but if it does not, then a *pro ratâ* distribution to the legatees (that is to say, in the proportion each legacy bears to the amount of them all) is all that should be made until such further portion of the estate is realised as will permit of a settlement in full.

Assuming that the amount for distribution is sufficient to permit of these prior purposes being implemented, and that a balance remains over, that balance will fall to be apportioned to the residuary legatees according to their respective rights and interests; and from time to time thereafter, until the estate is wholly realised, further apportionments will fall to be made to them. The shares of those residuary legatees who have liferents merely will fall to be retained by the trustees and invested for their behoof; the shares of the others should be paid out to them as soon as the successive schemes of division are approved of, and proper acknowledgments granted in favour of the trustees.

A full division of the estate should under no circumstances be made until six months have elapsed from the date of death. Moreover, before payment of any legacy, or division of any part of the estate, the trustees should request the law agent of the trust to prepare and submit to them a report showing (1) the free estate left by the deceased—that is to say, the approximate amount or value of the deceased's estate after defraying the prior charges (namely, the death-bed and funeral expenses, the debts, the Government duties, and the administration charges); (2) whether deceased is survived by husband or widow, and by what number (if any) of sons and daughters; (3) whether and to what extent such immediate relatives have discharged all or any of their legal rights; and (4) if their legal rights are not discharged, what is the estimated sum to which each of such relatives is entitled (*a*) at law, and (*b*) under the settlement.

If the legal rights have not been discharged, and the moveable estate of the deceased prove large, it may happen that the widow's *jus relictæ* or the husband's *jus relicti* is of greater amount than the capitalised value of the annuity or life-rent interest provided for by the trust settlement; or it may be that the children who survive a parent will, in similar circumstances, be found entitled to claim (*free of the fetters of a life-rent, &c.*) a sum equal to, and occasionally even greater than, their conventional provisions. It is a question of some nicety as to whether trustees, who are ostensibly appointed to carry out the deceased's wishes regarding his or her family, should bring directly under the notice of widow, husband, or child, the precise position and value of their respective claims, legal and conventional. An appeal by the trustees to their law agent usually ends in the advice being given that the person entitled to *jus relictæ, jus relicti, legitim,* or *terce,* should take the initiative in the matter of any claim that tends to go contrary to the express views of the truster. If this advice be accepted, and it is a matter for the trustees themselves to decide, instructions should be given to the law agent to furnish each person who has both a legal and conventional claim with an accurate estimate of the value of the whole estate and of the amount bequeathed to him or her by the settlement; and a letter expressing in clear terms acceptance of the provision under the settlement should be requested, and, when got, recorded in the Minute Book. If the possible claimants are females, the prudent course for the trustees to adopt is, when furnishing particulars of the estate, to request their law agent to advise the ladies to take independent advice before intimating their decision.

Should a division of the estate be contemplated which would have the effect of leaving under the trustees' administration a fund for behoof of minors only, and in the event of the law agent's report before referred to disclosing that minors might legally claim (by electing to take their *legitim*) larger sums than are bequeathed to them by the settlement, it will be the duty of the trustees to set aside for behoof of such minors the larger sums, before making the division. It is equally important, in the case of a possible collation, that the heir-at-law should be furnished with accurate information regarding the relative values of the deceased's heritable and moveable estate, and with such other particulars as are necessary for enabling an election to be made.

Investments.

Assuming the trustees have settled all prior claims, and that their duties mainly lie in administering the residue of the estate for behoof of liferenters or minors, the important question at once arises, "How shall we invest the trust "funds so as to conserve the interests both of the life-"renters and fiars?"

Most modern settlements contain a clause giving broad powers of investment, and trustees, until recent years, were apt to construe their powers as sanctioning the acquirement of any fair security which would yield a good return in interest. Indifference or want of care on the part of trustees in selecting investments has led to frequent lawsuits at the instance of beneficiaries, and decisions in recent times have so commonly been given against trustees that nowadays greater prudence is exercised in the selection of suitable securities.

It is well to keep in view that, since 1867, statutes have been passed authorising a fairly wide range of investments, and that trustees may thus, *unless expressly prohibited by the settlements under which they act*, choose as an alternative to the investments authorised by the deed those which are lawful under the Trusts (Scotland) Acts.

In selecting investments trustees should keep before them the rule of law that they are to observe "the same degree "of diligence that a man of ordinary prudence would "exercise in the management of his own affairs" (*vide* Lord Herschell's opinion in the case of *Meek*, 16 Rettie, H.L., p. 33), and too much reliance should not be set on the clause of immunity generally appearing in settlements, or, if not, conferred by the first section of the Act of 1861. As Lord Watson remarked in the case of *Mackinnon* (15 Rettie, H.L., p. 86):—"It is clear that the clause (of "immunity) will afford no protection to trustees, who, "from motives however laudable in themselves, act in "plain violation of the duty which they owe to the indi-"viduals beneficially interested in the funds which they "administer. I agree with the opinion expressed in *Seton* "*v. Dawson* (4 Dunlop, p. 381) that clauses of this kind do "not protect against positive breach of duty." It may be further remarked that trustees are not absolved from liability where they have simply acted on the advice of a legal or other adviser *without taking reasonable steps to determine at their own hand, as to whether the investment is desirable or not.* They are clearly entitled to call in the services of skilled valuators or advisers, and may safely rely on the valuations of competent parties; but it is as well to keep prominently in view that the employment of valuators is, as a well-known Judge remarks, for the purpose of obtaining the data necessary in order to enable them to judge of the sufficiency of the security offered, and that "they are not in safety to rely upon his (the valuator's) "bare assurance that the security is sufficient, in the "absence of detailed information which would enable them "to form, and without forming an opinion for them-"selves" (*vide* the case of *Whiteley*, L.R. 12 Appeal Cases, p. 734).

To anyone who has perused the reports of recent decisions it will be obvious that the responsibility attaching to trustees in finding safe investments is by no means light. The choice of an investment is ofttimes beset with difficulty; and those called in to advise trustees know how frequently beneficiaries, particularly those of the fair sex, clamour for a high rate of interest, and trustees are thus, through acceding to such demands, sometimes led into selecting doubtful securities, which too often result in serious loss to the capital of the estate. Two points should be clearly borne in mind: First, that the trustees are appointed to administer the funds in the interests not only of the liferenters, but also of the fiars; and Second, that in choosing an investment the trustees should look to the safeness of the investment rather than for a big return. In the case of *Whiteley*, above referred to, and speaking of the degree of diligence required of trustees in selecting investments, it was pointed out that a trustee is not allowed the same discretion in investing trust moneys as if he were dealing with his own estate. "Business men of "ordinary prudence," said Lord Watson, "may, and "frequently do, select investments which are more or less "of a speculative character; but it is the duty of a trustee "to confine himself to the class of investments which are "permitted by the trust, and likewise to avoid all invest-"ments of that class which are attended with hazard."

From what has been stated, it will be gathered that the powers of investment conferred by a trust settlement are strictly construed by the Court, and that, no matter how wide the discretion given by the truster may be, considerable caution must be exercised by trustees in making their selection. Certain securities are recognised by law as appropriate for trust investments, and common prudence will dictate the advisability of trustees keeping within the range of those appropriate investments. What, then, are investments appropriate for trusts?

Prior to the year 1867 trust funds in Scotland were almost wholly lent out upon heritable security, but by the Trust Act of that year (Section 5) trustees were empowered, in addition to lending on heritable security, to purchase (1) any of the Government stocks of the United Kingdom, or (2) Bank of England stock, and were likewise authorised to lend on the security of the aforesaid stocks. This Act, however, in no way restricted the powers of investment expressly contained in trust settlements (*vide* Section 6). Many deeds conferred powers of investing in the mortgages or bonds of public companies, and as the principal companies, and particularly the railways, had by this time discarded terminable mortgages or debentures for perpetual debenture stocks, an Act was passed in 1871 authorising the investment in the debenture stock of a railway company or other description of company, provided the trust settlement empowered the trustees to invest in the mortgages or bonds of such companies.

In 1884 another Act was passed extending still further the range of investments open to trustees, and in it the term "trustee" is defined as including tutors, curators, and judicial factors. The fifth section only of the 1867 Act was repealed, and a declaration inserted that the Trusts Acts from 1861 to 1884 are to be read and construed together.

By the 1884 Act (Section 3) trustees, under any trust, may, unless prohibited by the constitution or terms of the trust, and in addition or as an alternative to the powers

conferred by the deed under which they act, invest the trust funds—

(*a*) In the purchase of—

(1) Any of the Government stocks, public funds, or securities of the United Kingdom:

(2) Stock of the Bank of England:

(3) Any securities the interest of which is or shall be guaranteed by Parliament:

(4) Debenture stock of railway companies in Great Britain incorporated by Act of Parliament:

(5) Preference, guaranteed, lien, annuity, or rent-charge stock, the dividend on which is not contingent on the profits of the year of such railway companies in Great Britain as have paid a dividend on their ordinary stock for ten years immediately preceding the date of investment:

(6) Stock or annuities issued by any municipal corporation in Great Britain, which annuities, or the interest or dividend upon which stock are secured upon rates or taxes levied by such municipal corporation under the authority of any Act of Parliament:

(7) East India stock, stocks, or other public funds of the Government of any Colony of the United Kingdom approved by the Court of Session, and also bonds or documents of debt of any such Government approved as aforesaid, provided such stocks, bonds, or others are not payable to the bearer:

(8) Feu-duties or ground-annuals.

(*b*) In loans—

(9) On the security of any of the stocks, funds, or other property aforesaid:

(10) On real or heritable security in Great Britain:

(11) On debentures or mortgages of railway companies in Great Britain incorporated by Act of Parliament:

(12) On bonds, debentures, or mortgages, secured on rates or taxes levied under the authority of any Act of Parliament, by municipal corporations in Great Britain authorised to borrow money on such security:

(13) On Indian railway stock, debentures, bonds, or mortgages on which the interest is permanently guaranteed by the Indian Government and payable in sterling money in Great Britain.

The terms of this Act of 1884 are doubtless well known to the most of you, and I only wish to draw attention to two points which should be kept in mind in making purchases of stocks under it—points in which the 1884 Scottish Act differs materially from the English Act of 1893.

The first point is that, under Section 3, Sub-section (*a*) 5, of the Scottish Act, 1884, preference, guaranteed, lien, &c., stocks of British railway companies are only available to trustees in Scotland provided the dividends are not contingent on the profits of the year—in other words, are cumulative—and further provided that the railway companies have paid *a* dividend on their ordinary stock for ten years immediately preceding the date of investment. Under the English Act of 1893, Section 1, Sub-section (*g*), it is not necessary that the dividends should be cumulative; but whereas the payment of a dividend, however small, on the ordinary stock is all that is required under the Scottish Act, under the English Act a dividend at a rate of not less than 3 per cent. per annum on the ordinary stock must have been paid during each of the ten years immediately preceding the date of investment.

The second point is that, under the same section of the Scottish Act, Sub-section (*a*) 7, stocks of Colonial Governments could competently be purchased *at a premium*, prior to the passing of the Colonial Stock Act of 1900, even although they were redeemable within a few years of the date of purchase. Now, however, such investments come under the same limitations as were imposed in 1893 upon English trustees.

Since the passing of the 1884 Act, two other Acts have been passed dealing with investments by trustees in Scotland—viz., the Act of 1898 and the Colonial Stock Act of 1900.

The Act of 1898 empowers trustees to invest in the *redeemable* stocks and the mortgages, bonds, &c., of local authorities, such as county councils and municipalities. In dealing with this Act, please keep in mind that "rates" referred to in this statute are rates levied on lands valuation rolls, and have nothing at all to do with so-called rates or dues levied by port or harbour trustees. A mistaken reading of the terms of this statute has led trustees into difficulty where they have purchased the bonds of such local authorities as the Clyde Navigation Trust and the harbour trusts of Greenock and other ports. Also note that the limitations set on purchases of Colonial stocks *at a premium* do not apply to municipal stocks.

The other Act is that known as the Colonial Stock Act of 1900. Prior to the passing of this Act investments in Colonial stocks could only be made after authority was obtained by express application to the Court of Session; now such application would not appear to be necessary where the Colonial stock purchased is one of those in the Treasury List, which has been duly published in the *Edinburgh Gazette*, but such stock can only be purchased at its redemption value, or under it, if it is liable to be redeemed within fifteen years of the date of purchase, and if it is liable to be redeemed at a further off date than fifteen years, it can only be bought at a price not exceeding 15 per cent. above its redemption value. In practice trustees have usually declined to invest in Colonial

redeemable stocks where these are quoted at a premium, unless the beneficiaries consent to a proportionate part of the premium being written off annually from revenue, so as to bring down the price in the accounts to redemption value by the actual date of redemption.

Periodical Accounts.

I need not emphasise the necessity of Trustees' Accounts being made out at regular intervals, and submitted to the trustees. If the truster gives directions in the trust settlement as to when the accounts are to be brought to a balance, these directions should be strictly adhered to. In the absence of specific instructions an interim account should be submitted within six months of the testator's death, *and prior to the payment of the testator's debts, or the distribution of any part of the estate.* A full account should be made out as nearly as may be on the expiry of a year from the testator's death, and subsequent accounts yearly thereafter. Further, the accounts should be regularly audited, and, if the trustees are wise, they will have them audited by a professional accountant. Where, however, they are audited by some of their own number, the audit should be an exhaustive and careful one, and vouchers ought to be asked and obtained for all entries of disbursements, and as far as practicable for the receipt side also. At the annual meeting, when the accounts are considered, trustees should ask for exhibition of all the trust securities, and the fact that these have been exhibited to them should be entered in their minute of meeting.

Discharge of Trustees.

The Trusts Acts provide for trustees being discharged when their office has terminated by resignation, or by death. Commonly the surviving trustees are asked to discharge those who have resigned, or the representatives of a deceased trustee; but, by doing so, the surviving trustees accept the responsibility of granting such a discharge. The safer course is to ask the beneficiaries to grant a ratification of the intromissions of all the trustees up to the date of such resignation, or death, combined with a discharge to the resigning trustee, or the representative of a deceased trustee. In practice no substantial distribution of residue should be made without first obtaining such a ratification and discharge. Where the accounts of the trust have been regularly audited by a professional accountant no difficulty usually arises in obtaining such a document; but if the accounts have not been professionally audited, the trustees should have written evidence of an offer, to the beneficiaries, of their accounts for examination, *and an abstract of their intromissions should be scheduled to the deed of ratification or discharge.* Where a discharge is refused to a trustee who is resigning, or to the representatives of one who has died, a petition to Court is the competent course. This course entails a considerable expense upon the trust estate, because the Court invariably remits to an accountant to report on the trust intromissions, prior to granting the petition, and, if the administration is found to have been satisfactory, usually allows the costs of inquiry and of the petition out of the trust funds.

Acts of Parliament relating to Trusts.

Most modern settlements give trustees full powers of administration, but even where powers are not specifically set forth, certain general powers are conferred by statute. The principal powers (other than those of investment, which have been fully referred to) are set forth in Section 2 of the Act of 1867, and in the Acts of 1891 and 1897. These powers cover the appointment of factors and law agents; the granting of leases for a limited period; the power to compromise claims; and the power to make abatements or reductions in rents, lordships, royalties, &c., stipulated in the leases of all classes of heritable property. Where the trust settlement is defective certain powers can only be granted by authority of Court—such as authority to sell the trust estate; to grant feus or long leases; to borrow money; to make advances out of the capital to minors who have a vested interest in the trust funds, where such advances are necessary for the education of the beneficiaries or like objects; the power to apply a beneficiary's interest in the trust estate by way of indemnity to trustees where the trustees have, say, committed a breach of trust at the instigation, or request in writing, of the beneficiary.

Where any of the powers indicated have been exercised, the trust Minute Book should contain an explicit record of the circumstances which have led to such power being exercised. In this connection, and dealing with loans by trustees on heritable security, permit me to point out that the data upon which the valuator instructed by the trustees is asked to act should be verified by the law agent of the trustees, and should be supplied to the valuator without any hint as to the amount of the loan which it is proposed to make. The rental supplied to the valuator should distinctly set forth what subjects are let and what subjects are unlet at the date when the valuation is made. If the property is not completely finished and let, trustees, under no circumstances, should entertain a proposal for loan. The practice which obtains in some quarters of arranging a loan on unfinished property—simply reserving out of the loan such portion as is deemed adequate to insure the completion of the buildings—is exceedingly risky. Where such a loan does happen to have been made, the trustees, within a year of the completion of the buildings, should call for a fresh rental, and, if there be any variation in the figures entered in the proposal, the property should be at once revalued, and the loan revised in the light of that revaluation. It is matter of surprise that

loans on heritable property should not be revised as frequently as they ought to be. It often happens that there is a distinct shrinkage in the rental, and not seldom that a property, even although the rental be maintained, is allowed to get into a bad state of repair, externally and internally. It is a prudent step for trustees to have a fresh report made on the condition of the properties, over which they have lent money, every five years or so.

Trust Accounting.

The form of account in which the administration of trustees is set forth is usually that employed in judicial accounting—viz., an Account of Charge and Discharge. This form is readily followed by professional accountants, *but is seldom understood by either trustees or beneficiaries.* The accounts of a trust should be set forth, to my mind, in such a form as will be readily grasped by the persons most interested—the trustees and the beneficiaries—but custom dies hard. In the case of trusts dealing with estates of considerable magnitude, or where there are a number of separate investments, a set of books (Cash Book, Journal, and Ledger) fulfil, in the most satisfactory degree, the requirements of the trust. Through the medium of the Ledger one can see at a glance, under the account kept for each investment, (*a*) when the investment was made, (*b*) what it cost, (*c*) what revenue it has yielded and whether the revenue has been regularly received, and (*d*) when, and for how much, it has been realised. The Capital Account of the trust, where ledgerised, permits of the various deductions from, and additions to, it being quickly traced. In like manner the accounts of the beneficiaries are easily followed, and the periodical charges both upon capital and revenue readily located.

If an Account of Charge and Discharge be the form employed, the same facilities for quickly tracing the changes in the various accounts are not present. Further, in this latter class of account we find a variety of form according to the idiosyncrasies of the framer. In one instance the form will be that used in preparing judicial accounts for the Accountant of Court; in another instance it will be two distinct Accounts of Charge and Discharge—the one dealing with the capital, and the other with the revenue—together with a State of Funds and a day-to-day Current Account as appendices.

In the case of small trusts, probably the most readily understood form is one embracing (*a*) a simple and concise statment of the receipts and disbursements on Capital Account; (*b*) a statement of receipts and disbursements on Income Account; (*c*) a statement of lodgments and withdrawals from Bank Account; (*d*) a balance account focussing the differences arising through the summations of the receipts and disbursements on these three accounts; and (*e*) a schedule in columnar form, under which in the first column the estate of the deceased is set forth in detail: the second column gives the realisations on Capital Account during the period of the account, and the third column gives the estate as at the close of the account. Each of the three columns of this schedule is added, the second column (which is short-ruled) showing a total tallying with the total of the receipts on Capital Account, as appearing in the main account. To the sum of the first column there is added the increase, if any, which has arisen on realisation, and from the combined sum there is deducted the amount of the capital disbursements (other than investments) during the period. The adjusted total thus arrived at will correspond with the total in the third column, which shows the manner in which the trust funds are invested at the close of the account. In a schedule of this character it is necessary, of course, to put a nominal value, for account purposes, on all investments which, while worthless, have not been disposed of by the trustees, otherwise these investments may be lost sight of. A form of account such as indicated is readily followed by trustees and beneficiaries who have only a smattering of bookkeeping knowledge, and, by reference to the schedules at the end of each account it is fairly easy to follow the changes which have occurred from time to time in the investments.

So long as the accounts, in whatever form presented, accurately set forth the whole intromissions of the trustees, it is a question of circumstances as to which form should be used.

Coming now to the question of apportionment, let me say at the outset that this is a matter which invariably gives rise to dispute, sometimes between the trustees and their law agent or the auditor, and almost always between the trustees and the beneficiaries. If A. B. has left an estate of £10,000, or thereby, comprised of investments yielding, say, 4 per cent. per annum, the beneficiary C. D. at once jumps to the conclusion that he, or she (usually she), should get £400 of income in the first and every succeeding year. C. D. does not care one iota on what dates the income is receivable, or over what period the sums so received have been earned, but is very much concerned when it is found that, in the first year, and possibly part of the second year, although £400 in dividends has been ingathered, no such amount is available as income. You may explain the position and state the Apportionment Acts as the authority for your adjustments, but your explanations are received with incredulity, and the beneficiary adheres to the opinion that he, or she, is being humbugged.

The Apportionment Act of 1870, and the earlier Act of 1834, prescribe what portion of income of a trust estate shall be payable to the executors of the testator and what portion to the heir, and in like manner as to what portion

shall be treated as forming part of the liferent and what shall be applicable to the fee. Under these Acts the income of the estate, from whatever source derived, is treated as accruing from day to day during the period in which it is declared to have been earned. If part has been earned prior to the testator's death, that part falls to his executors—in short, is capital. If part has been earned subsequent to his death, that part is income, and goes to the heir; or, if the estate be subject to a liferent, goes to the liferenter. *The important point to keep in view in all apportionments is the period during which the income is declared to have been earned.*

Some companies—banks and insurance companies, for example—pay their dividends in two instalments during the year following that in which their profits are declared to have been earned. In such cases hardship is undoubtedly entailed upon the recipients of the trust income, because, through the application of the Act, it may actually be more than a year from the death of the testator before dividends from this class of investment become available as income. Investments in trading concerns are, however, not usually retained for any lengthened period, and the inconvenience referred to is not experienced where the stocks or shares are sold shortly after the opening of the trust, because out of the price obtained from the sale of these stocks the liferenter is entitled to receive as income a sum equivalent to the expected dividend for the portion of the year which has elapsed since the receipt of the last dividend, or since the death of the testator, as the case may be.

In practice, where the shares of an industrial concern are realised, and an apportionment as between capital and income falls to be made, the usual course in determining the rate of the dividend to be taken out of the price is to base it on the dividend declared for the year last preceding the date of sale.

If the trust estate consists of heritage, an apportionment of the rental will fall to be made in manner similar to what has been above indicated, and the burdens on the property will, of course, have to be apportioned in the same manner as the rental. It should be borne in mind in passing that in the case of rental apportionment, rents which have been contracted to be paid in advance, and have been so paid, do not form the subject of apportionment in a question between the liferenter and the executors of the testator, *where such testator had full power to enter into the contract in question.* The same remark applies to annuities which are charged directly on heritage, and are payable in advance. Some points of difficulty have arisen as to the correct interpretation of the Apportionment Acts, and there exists a good deal of difference in practice not only between accountants but also between lawyers. The time at my disposal does not permit me to refer to these points, but your Society may possibly find occasion for studying in greater detail this interesting subject.

Vidimus.

It is desirable that trustees and beneficiaries should now and again be presented with a vidimus of the intromissions had with the estate. As already indicated, a vidimus should be appended to all deeds of ratification taken from the beneficiaries, and to all discharges of residue granted by them. There is no necessity when preparing a vidimus to do more with regard to the revenue transactions than state the total amount of the income receipts and the total disbursements, including payments to the beneficiaries themselves. As regards capital, however, the vidimus should set forth, *in detail*, the items which go to make up the estate entrusted to the trustees; and from the summation of the estate thus detailed there should be deducted, under a few outstanding headings, the total disbursements on (1) Debts and Funeral Expenses, (2) Government Duties, (3) Administration Expenses, (4) Legacies. From the capital fund, reduced by these outgoings, there should further be deducted the losses on realisation of any of the items of the estate (with particulars of the investments which have resulted in a loss), and there should be added thereto the gains on realisation, particularised in same manner as the losses. The amount of the capital arrived at, after making these adjustments, will be followed by a list of the investments held at the date to which the vidimus brings down the statement of intromissions. If the vidimus is prepared as a preliminary step to a distribution of the residue, and the residue is being taken over in whole or in part by way of transference of investments, a scheme of apportionment should be appended.

Auditing of Trust Accounts.

In concluding this lecture allow me to make a few remarks regarding the auditing of Trust Accounts. The auditor will not only obtain the trust books, or accounts, and the vouchers instructing the trustees' intromissions, but will ask for a perusal of the Minute Book, which, if properly kept, will furnish particulars upon several matters of importance in the audit, information upon which is not likely to be obtained outside of this book of record. If the audit be that incidental to the first year's intromissions in a testamentary trust, the confirmation (or testament-testamentar) with the draft of the Estate Duty Account will furnish particulars of the whole estate committed to the trustees' charge. These documents will enable the auditor to verify the opening Journal entries, if a set of books be kept, or to check the opening entry on the charge side of the Account of Charge and Discharge.

The trust settlement, usually engrossed in the Minute Book—a copy or abstract of this is generally made available for the auditor—will indicate the lines upon which the disposal of the estate is to proceed. It will also furnish, where trust books are kept, the necessary particulars for the Journal entries appropriate to the disposal of the estate. A common provision in settlements is that of an annuity to the widow, and it is desirable *at the commencement of the trust*, that a capital fund calculated at as low a rate of interest as will insure a clear margin of safety should be set aside as an annuity fund, and debited to Capital Account. Again, if there be liability upon the testator in respect of bonds upon which he (or she) is an obligant, such liability should be clearly provided for by entries in the accounts at the commencement of the trust. If, for example, the testator owned heritage burdened with bonds, the prudent course to follow, until the heritage is actually disposed of, and the bonds definitely cleared off, is to enter the value of the heritage at the gross figure, and not simply at the reversionary value after deducting the bonds.

The vouching of the disbursements by the trustees is usually a simple matter, but, on the other hand, it is often difficult to satisfactorily vouch the entries relative to the receipts. In sales of moveable property, such as stocks and shares, the brokers' contract-notes, or settlement-notes, are usually available. In the case of miscellaneous receipts the correspondence which has led up to settlement can be asked for. In realisations of heritage a duplicate copy of the state for settlement as adjusted between the parties' law agents may sometimes be obtained, and the same remark applies to cases where the heritable loans have been repaid. In verifying receipts of interest, a bank certificate should be obtained for all entries of bank interest, and in the case of interest upon heritable or other bonds which cannot be checked as regards rate by other means, the Trust Minute Book should distinctly record the rate of interest which has been agreed to be paid. Too frequently alterations in the rate of interest on heritable bonds are left to proceed upon correspondence, and are not embodied in a formal minute. A judicious hint to the law agents that the change in rate should be so minuted usually brings about the desired result. Accounts for law expenses should only be passed if taxed and discharged, and the allocation of the charges in the accounts, as between capital and income, scrutinised. If new investments have been made, the minute authorising these should be examined. The allocation of the capital and income of the trust to the various parties entitled thereto will require to be carefully dealt with. Finally, the securities representing the funds at the close of the account will be called for and examined; the banking balances will be verified by bank certificates; Government or colonial stocks similarly verified by certificate from the bank of registration; railway, municipal, or other stocks by the respective stock certificates; and the heritage and heritably secured bonds by certificate from the law agent of the trust *that at the close of the account the title deeds and bonds—(specifying them)—were in his custody on behalf of the trustees, and were in order.*

A short report is usually issued by the auditor on the completion of the audit. This report should draw attention to any special feature arising from the examination of the accounts, and set forth whether, and to what extent, the outstanding investments have been verified by production of scrip and title deeds, or by certificate merely.

Personal.

Mr. Robert Easton Aitken, C.A., Lansdowne Park, Helensburgh, and Mr. Alexander Cumming Rutherford, accountant and auditor, Lenzie, have been added to the Commission of the Peace for the county of Dumbarton.

Scottish Insolvencies.

For the week ending 23rd February the number of insolvencies reported in Scotland was 24, as compared with 32 in the corresponding week of last year. The trust deeds numbered 13, as compared with 18; the sequestrations 0, as compared with 6; and the petitions for cessio 11, as compared with 8. The total for the eight weeks of the year is 219, as compared with 196 last year—the trust deeds numbering 110 against 88, the sequestrations 37 against 50, and the petitions for cessio 72 against 58. Of the 13 trust deeds reported during the week, 7 were granted in favour of Chartered Accountants. Four voluntary liquidations of limited liability companies were gazetted during the week.

COURT OF SESSION.

Edinburgh—First Division.

Before the Lord President and Lords McLaren, Kinnear, and Pearson.

February 21.

Re **Alexander Forrester, Lim.**

Note in Petition—D. Gould & Others—For Supervision Order—To Restrict Caution, &c.

The Lord President, in advising this note, said: This note is at the instance of the liquidator recently appointed in the liquidation of Alexander Forrester, Lim., boot and slipper manufacturers, Glasgow, and asks the Court to restrict the caution, and to authorise a bond of caution by a company to be accepted, "and further to authorise the

"premium on the bond of caution to be paid by the "liquidator out of the estate of" the company, and to direct that the expenses of the note should be expenses in the liquidation. It was admitted that there is no direct authority, but it was urged that there is a strong analogy in the provisions of the Act of Sederunt of 15th July 1904 as to the finding of caution in judicial factories. Section 3 of that Act provides:—"The Accountant of Court shall "allow as a charge against the factory estate (1) the "premium paid by the factor where a company bond of "caution has been accepted, or such part thereof as he "deems proper, and (2) the expense of the necessary pro-"cedure in obtaining the approval of a bond of caution or "the limitation of the amount; but the fact of such charge "shall be taken into account by the Accountant of Court "in fixing the factor's remuneration." It seems to me that the analogy is a true one. But both branches of it are equally analogous. Accordingly, while I move your Lordships to grant the prayer of the note it is understood that this is done subject to the fact of the charge being taken into account by the Lord Ordinary when he fixes the remuneration of the liquidator.

The other Judges concurred, and judgment was given accordingly.

COURT OF SESSION.

Second Division—Edinburgh.

Before the Lord Justice Clerk and Lords Stormonth-Darling and Low.

February 23.

R. N.—The National Bank of Scotland v. Archibald Veitch.

Cash Credit—Extent of Cautioner's Liability—Right to Relief from the Debtor's Estate.

The reclaimers here, the National Bank of Scotland, Lim., were the respondents in an action of suspension brought by Archibald Veitch, cattle dealer, Bellevue, Jedburgh, to suspend a charge at the instance of the respondents to make payment of £1,500, the amount of a cash credit bond granted by the late William Rutherford, cattle dealer, Hawick, the complainer, and Robert Hunter, Hawick, in 1902. Hunter and the complainer were cautioners for Rutherford in the bond for bank advances to Rutherford to the extent of £1,500. At his death, Rutherford was indebted to the bank in the sum of £5,825, and the bank had recovered £3,903, being a composition of 13s. 4d. in the £1 on Rutherford's estate. The balance of Rutherford's debt still remaining due was £1,951, and the bank claimed that the complainer, as a cautioner, was bound to pay the full amount of £1,500 for which he undertook liability in the bond. The complainer, on the other hand, maintained that he was bound only to pay £500 to the bank, being the sum of £1,500 under deduction of the amount of the composition recovered from Rutherford's estate effeiring to that sum. The decision of the case depended on the construction of the precise obligation undertaken by the cautioners in the bond. If the cautioners undertook to pay all sums for which Rutherford might be indebted to the bank with merely a limitation of the extent of their liability to £1,500, then the respondents were entitled to the full sum of £1,500. If, on the other hand, the cautioner's liability was to pay a debt which was not to exceed £1,500 in a question with them, then if they paid that amount they paid the debt which they guaranteed in full, and were entitled to rank in relief upon Rutherford's estate. In the Outer House, Lord Salvesen held that the complainer was not liable to make payment of any sum in excess of the difference between the sum of £1,500 contained in the bond and the composition received by the respondents from Rutherford's estate. The respondents reclaimed.

The Court adhered to the judgment of the Lord Ordinary, and found the reclaimers liable in expenses.

Lord Low said the most of the clauses in the bond were in the ordinary terms of a cash credit. But the respondents relied mainly on a clause which they said formed a covering security to the bank against any ultimate loss that might arise on the transactions of Rutherford with the bank. His Lordship was of opinion that that clause was not intended to add anything to the obligation undertaken in the preceding clauses in the bond. The latter clauses had enumerated a great variety of ways in which Rutherford had become indebted to the respondents, and he read the clause under consideration as a general clause intended to bring within the scope of the bond any debt of Rutherford's which might not fall precisely within any of the enumerated cases. That was all that was meant by the expression "covering security" upon which the respondents laid great weight. The bond was to cover Rutherford's indebtedness however incurred, but the extent of the indebtedness which the cautioners guaranteed was still to remain at £1,500. His Lordship was therefore of opinion that the complainer would, if he had paid the £1,500 to the respondents, have paid in full the debt which he had guaranteed, and would therefore have been entitled to come in the respondents' place as regarded all the remedies open to them for the recovery of the debt. As, however, the respondents had already received payment of the composition yielded by the estate upon the whole debt, the same end would be reached if the complainer paid to them the difference between the £1,500 and the composition of 13s. 4d. in the £1 on that amoun'

Edinburgh—Outer House.

Before Lord Johnston.

February 20.

Note.—Liquidator Melville Coal Company, Limited.

Company Liquidation—Liquidator's Deliverance Challenged—Landlord's Claim for Preference under Lease of Minerals.

This liquidation, which commenced as a voluntary liquidation on 1st February 1906, was placed under the supervision of the Court on 21st February 1906. The Melville Coal Company were lessees of a mineral field under Viscount Melville for twenty-five years from Martinmas, 1897, at a fixed rent or lordship of £500 per annum for coal, and £8 per acre for ground taken for the purpose of working the minerals. At the same time the lessees bound themselves at the expiry of the lease to restore the ground damaged by the operations or to pay for the ground unrestored at the rate of £100 per acre. On 3rd March 1906 the liquidator intimated to Lord Melville "that he is not to take up the lease between the landlord and this company," and of this intimation he received a bare acknowledgment. A Sheriff Court petition for sequestration of the company's goods and effects, in accordance with a note by Lord Melville, was granted. The process of sequestration was necessary in order to preserve from lapsing the petitioner's hypothec for the year to Martinmas, 1905. In July 1906 Lord Johnston sanctioned the liquidator exposing for sale the subjects covered by Lord Melville's hypothec, on condition that Lord Melville's claims, secured by his hypothec, should be satisfied out of the proceeds of this sale. The sale took place, and realised considerably more than Lord Melville's hypothec, and the liquidator received the proceeds. The liquidator pronounced his deliverances on the claims lodged, and on 21st December 1906 presented a note for approval. As Lord Melville objected to the liquidator's dealing with his claims, answers were lodged to this note. His claims for the rents covered by his hypothec were adjusted at £1,009 18s. 7d., and this was paid from the proceeds of the sale. A further preference for claims under the lease to the amount of £729 14s. 3d. was, however, made.

Lord Johnston sustained the liquidator's deliverance on Lord Melville's claim, and found Lord Melville liable for the expense of discussing his objections to it. His Lordship pointed out that for this sum of £729 14s. 3d. the liquidator had allowed Lord Melville only an ordinary ranking, which the latter was not satisfied to accept. He was unable to sustain this claim to a preference.

HUMOUR IN THE COURTS.—"He is an accountant," said a plaintiff's agent at Wood Green County Court recently. "And when I say accountant," he continued, "I should explain that he gets his living by advising people as to getting reductions in their income-tax."

The Judge: "Oh!"

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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The Accountant

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AND

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Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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Lancashire Asylums Board,
County Offices, Preston,

endorsed "Auditor," and sent in on or before the 18th March 1907.

HARCOURT E. CLARE,
Clerk to the Board.

County Offices, Preston.
5th March 1907.

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Leading Articles.

The Cardiff Tramway Finances.

IT will probably be remembered that we drew attention some little time since to the fact that the Cardiff Corporation was making no provision for the depreciation of the assets of its tramway undertaking, and that the amount actually spent upon maintenance and repairs was so very much less than the provision included in the estimates as to raise

serious doubt as to whether even ordinary current wear and tear was being duly provided for out of revenue.

Notwithstanding these questionable methods of finance, the excess of income over expenditure for the year 1903-4 was but £5,318; for 1904-5 it had fallen as low as £20; and in 1905-6 it was £3,411. These fluctuations are typical of the fluctuations that must be normally expected when the hand-to-mouth policy is pursued of charging only actual payments against revenue, instead of charging each year with its fair proportion of the aggregate sum that will have to be paid out over a more extended period. But if any further evidence were needed to convince the impartial observer that the above figures in no sense represented the true financial result of the working of the Tramways Department, it is provided by the report presented a short time ago to the Cardiff Electric Lighting and Tramways Committee by Mr. JOHN ALLCOCK, F.S.A.A., the new City Treasurer.

Mr. ALLCOCK reports that the Capital Expenditure of this department at the present time amounts to £732,743 6s. 11d., and the Reserve Fund to £9,721, the department having been in existence some five years. The Capital Expenditure has been provided by loans made up as follows:—

£28,158..	..	Repayable in 60 years
456,931..	..	,, ,, 30 ,,
38,228..	..	,, ,, 25 ,,
124,108..	..	,, ,, 20 ,,
85,318..	..	,, ,, 15 ,,
£732,743		

With regard to the longer period loans, it is thought that no special provision for depreciation is required, but it is pointed out that the expenditure on the track is covered by loans sanctioned for thirty years, and that it is generally admitted that the tram lines will have to be entirely replaced with new work in fifteen years from the time of construction—in ten years from the present date. If this point is conceded, says Mr. ALLCOCK in his report, it follows that the provision for Sinking Fund is inadequate, and that a further sum should be set aside which, when added to the accumulated Sinking Fund contributions, will provide a sufficient sum to renew the track when such work becomes necessary. In 1904 the City Engineer expressed the opinion that, after taking credit for old materials that might be re-used or sold, the reconstruction would cost £4,000 per mile of single track. Upon this basis the total cost would be £120,000. Mr. ALLCOCK points out that a Sinking Fund for the accumulation of £120,000 at the end of thirty years, based on the 3 per cent. tables, would amount to £46,912 at the end of fifteen years, leaving £73,088 of the loan still to be paid off; and this balance or difference, as he points out in unmistakable terms, will be required to be provided for by means of a Depreciation or Reserve Fund. Taking into account the existing Reserve of £9,721, there remains a deficiency of £63,367 to be met in ten years' time, which—even assuming that 3½ per cent. could be obtained during the whole of that period—necessitates a sum of £5,402 per annum being provided for the next ten years, either out of tramways revenue or out of city rates; and he accordingly recommends that a sum of £5,500 be provided as a first instalment in the year ending March 1908.

It will thus be seen that Cardiff, which for many years past has enjoyed an unenviable reputation with regard to its municipal finances, is apparently to have the further distinction thrust upon it of being one of the first local

authorities to be actually compelled to set its house in order, and to face a serious depreciation problem, the existence of which it has consistently scouted in the past. The ratepayers are lucky in enjoying the services of so experienced a municipal officer as Mr. ALLCOCK, or possibly the seriousness of the situation might not have occurred to them until some ten years hence, when the necessity for relaying the permanent-way became patent to all. In the meantime, however, they have to face the fact that instead of the profits claimed to have been made during the past three years, each of those years has actually shown a loss—1903-4 a loss of some £180; 1904-5, a loss of £5,480; 1905-6 a loss of £2,090. The difference between the results claimed and the true facts represents approximately an addition of 1½d. in the £ on the rates; and this must apparently be provided for by an increase of rates, or by improvements in the tramway management which will enable the undertaking to be run in the future upon such lines as to show something approximating to the profit that was earned by the Provincial Tramways Company, Lim., before the undertaking was municipalised. It may be pointed out, moreover, that although Mr. ALLCOCK's suggestion of spreading the leeway over the next ten years is probably the most practicable one to make at the present time, it does not really put matters straight forthwith. A sum of about £3,600 per annum ought to have been set aside during the last five years—that is to say, the contributions towards Reserve Fund (so-called) ought to have been at least twice as much as they have actually been; and because an unsound financial policy has been pursued in the past the ratepayers for the next ten years will have to pay "through the nose," contributing some 60 per cent. more than their proper quota towards the depreciation of tramways to make up for the deficiencies of the past five years, and for the interest lost on the non-existent instalments.

The Committee has tided over the matter for the moment by referring Mr. ALLCOCK's report to the Tramways Manager and to the City Engineer for their consideration; but sooner or later the situation will undoubtedly have to be tackled, and the longer it is left the more serious will it become.

It is significant, moreover, that these same points arise in connection with the Corporation's electric lighting undertaking, although Mr. ALLCOCK proposes to postpone their consideration for another year, as the question of depreciation of this undertaking is "not so pressing" as in connection with the tramways. Doubtless he has gone sufficiently fully into the matter to satisfy himself as to the accuracy of this statement; but it should not on that account be supposed that the proper provision for depreciation of the electric lighting undertaking is not a matter of equal importance. It may not be imperative that it should be dealt with and settled upon a satisfactory basis in order to provide the moneys necessary for an expenditure which it is known will have to be incurred so soon as ten years hence, but the question of principle involved must be the same with both departments. The longer the accounts are kept upon radically unsound principles the greater will be the sacrifices that ratepayers will have to make at some later stage in order to put matters straight.

Trustees under Deeds of Assignment.

THE Registrar of the Blackpool County Court gave a considered decision on the 20th ult., in the case of *Potter v. Sheard*, which deals with a matter of considerable interest to

the profession. The decision is, of course, no precedent, but there seems to be little fault to be found with it as a ruling upon a point of law, while its effect will undoubtedly be far-reaching.

The circumstances arose in this way: On the 21st December last Mr. JOHN PICKERING, a grocer, executed an assignment for the benefit of creditors in favour of Mr. JOHN POTTER, an Incorporated Accountant. Among the debtors of the estate was Mr. ALBERT SHEARD, the defendant in the present proceedings, who, upon being applied to for the amount due from him, had replied through his solicitors offering payment immediately on the expiration of three months from the date of the deed. Upon receipt of this intimation it was stated that the plaintiff at once issued a summons for the amount he claimed to be owing. In giving his decision the learned Registrar stated that the question at issue was as to whether, in view of the decision of the Court of Appeal in *Davies v. Petrie*, the plaintiff had taken his proceedings prematurely, and should have waited three months to see whether any bankruptcy proceedings were commenced in that time; for, if they were, the defendant might have to pay again to the trustee in bankruptcy. He held that the effect of this decision was that although on the face of it the deed executed by Mr. PICKERING on the 21st December last was in all ways a good and valid deed, yet it did not give the trustee an absolute title to the real and personal estate assigned. It was not absolute because by Section 43 of the Bankruptcy Act, 1883, if a bankruptcy petition were presented within three months of its execution, the deed of assignment would become void as against the trustee in bankruptcy, which, of course, would clearly show that the title of the trustee under the deed had gone. Of course, in the event of bankruptcy, provided the trustee under the deed duly accounted for all the assets of the bankrupt received by him, a debtor of the estate making payments to the trustee under the deed would run no risk. But if the trustee under the deed did not duly account to the trustee in bankruptcy, then a debtor making a payment to the trustee under the deed would be liable to be sued by the trustee in bankruptcy for payment again of the same debt. As Lord Justice MOULTON pointed out in his judgment in the case referred to, a debtor to the estate who makes a payment to the trustee under the deed makes it to the wrong person, and is liable to be sued by the trustee in bankruptcy. Under these circumstances, and bearing in mind that the three months' interval would not expire until the 21st inst., the learned Registrar held that the plaintiff had not under the deed a good title to sue or receive money owing to the estate. He must wait until the three months had expired. Under these circumstances he directed a non-suit, and allowed the defendant his costs.

This decision follows strictly the lines that we foreshadowed when commenting at the time upon the decision in *Davies v. Petrie*. It has for all practical purposes the effect of making deeds of assignment valueless, in that it makes it impossible for the trustee to take effective steps for the preservation of the estate until after an interval of three months has elapsed. If persons owing money to insolvent debtors were always themselves in a perfectly sound financial position, a delay of three months in the collection of book debts would not be serious. Under normal conditions, however, it is safe to assume that such a delay must in all cases result in considerable losses; and, of course, it greatly detracts from the efficiency of such

arrangements generally, as increasing by the full period of three months the time that must necessarily elapse before creditors can expect to receive a dividend.

It is to be hoped that the Committee on Bankruptcy Law Amendment will see its way to consider this matter, and to make such recommendations as may provide a way out of the difficulty. It is an absurdity that, solely on account of a legal technicality, the most effective means of realising an insolvent estate that is worth realising should be rendered impracticable. All that is necessary is that trustees under deeds of arrangement should be placed under proper control, and required to provide guarantees, and that persons making payments to such trustees should be expressly protected against subsequent claims by the trustee in bankruptcy. There would be no technical difficulty in providing this, for obviously all that is needed is that, in the event of bankruptcy, the trustee under the deed should in all cases be deemed to be the agent of the bankruptcy trustee; and, where reasonable steps have been taken to secure that only proper persons become trustees under deeds, there could be no possible objection to this.

The Form of Company Accounts.

IN our issue of the 3rd November last we dealt at some length with a question that had been raised by a correspondent in our issue of the previous week as to the propriety of a company whose preference dividends were in arrear charging against revenue large sums provided annually for the redemption of debentures. We expressed the view that the *pro formâ* Balance Sheet then submitted did not correctly disclose the true position of the undertaking, in that it showed an adverse balance on Revenue Account of £31,402, whereas apparently the true position of affairs was that the undivided profits to date were £49,038, and that the whole of these profits, together with £31,402 borrowed moneys, had been applied towards the redemption of debenture bonds.

Recently a correspondent has forwarded us the accounts of the Chicago and North-West Granaries Company, Lim., for the years 1904-5 and 1905-6, which he states are the accounts of the company referred to by our correspondent of October last. The figures contained in these accounts are not identical with those shown in the *pro formâ* accounts on p. 505 of Volume XXXV., but they are sufficiently near to establish a connection between the two sets of figures.

It is of interest to observe that the accounts for 1905-6, which were issued after our article of November last appeared, have made certain somewhat important concessions on the principles to which we then directed attention; but we very much question whether these modifications are likely to assist the average shareholder in arriving at a clearer conception of the facts. In the 1904-5 accounts the so-called Debenture Sinking Fund was stated at £80,878, and the description was misleading, in that £80,440 had been already applied towards the repayment of debentures, and that thus there only existed a Sinking Fund in respect of the odd £438. This error has been corrected in the accounts for 1905-6; but, instead of the amount of debentures paid off out of profits appearing as a clear and distinct item on the liabilities' side of the Balance Sheet, the Revenue Account is still charged

with capital sums for the repayment of debentures. Matters are made worse by the circumstance that, as this item is added to the interest on debentures, it is absolutely impossible to arrive at any clear impression as to the true balance on Revenue Account for the year, or as to the amount of undivided profit accrued up to date. The accounts show an adverse balance on Revenue Account to the 31st July 1906 of £39,319; but unquestionably this balance does not represent the aggregate result of the company's operations on Revenue Account to date, because (as we have already stated) an undisclosed amount applied towards the repayment of debentures has been debited to revenue, although it is clearly a capital charge.

The position is further obscured in the 1905-6 Balance Sheet by the capital assets being written down by £90,200, apparently for no better reason than because that amount has been paid off debentures to date. There may, of course, be many reasons why it is desirable that these assets should not permanently figure in successive Balance Sheets at cost price, but there can, so far as we are aware, be no good reason for writing them down in so arbitrary and illogical a manner. We do not, of course, suggest that if a company is in the position that it is obliged to pay off debentures at the rate of something like ten thousand pounds per annum it ought still to pay a dividend on its preference shares if such a dividend could only be paid at the cost of borrowing money in another quarter. We do suggest, however, that when the financial position of a company is steadily improving from year to year, and when that company is clearly making substantial profits on Revenue Account, its published accounts ought not to be so framed as to show a serious and increasing debit balance on revenue. Accounts so framed are calculated to suggest that the shares of the company are worth little; whereas, so far as one can judge from the published accounts, the debentures will be entirely paid off in another couple of years or so, and then a steady income of several thousand pounds per annum will be available to pay arrears on the 8 per cent. cumulative preference shares which have been piling up for the last ten years. If the object of publishing accounts is to convey to the average shareholder a reasonably clear idea of the value of his holding, it must be admitted that this company has been singularly unsuccessful in achieving that object, and one must confess to some surprise that the auditors have not thought it necessary to comment upon the matter. The alterations made in the 1905-6 accounts suggest that the force of the arguments we put forward in November last has been at least to some extent conceded, but the steps that have been taken to meet our objections can, we think, only be regarded as inadequate.

Weekly Notes.

The Temperance Permanent Building Society. The fifty-third annual meeting of the members of the Temperance Permanent Building Society was held on the 27th ult., when the directors' report and accounts for the year ended the 31st December last were submitted and approved. These show an increase of £1,116,657 in the paid-up share capital, and of £12,901 in the deposits. During the year £436,181 was advanced on mortgage, the total outstandings at the end of the year being £2,012,142, exclusive of £3,273 due on properties in possession, and £467 on one mortgage where the repayments are upwards of twelve months in arrear. Consols to the amount of £30,000 are valued at 86, and

other stocks at equally conservative rates. After providing for a dividend of 5½ per cent. on the original shares, and the maximum 4 per cent. on subsequent issues, there remains a balance of £6,130 to be carried to Reserve, bringing the Reserve Fund up to £123,287.

The North British and Mercantile Insurance Company. From a circular recently issued to its agents by the North British and Mercantile Insurance Company, we gather that this well-known company has recently established a department for insurances under the Workmen's Compensation Act, 1906. It is only a short time comparatively since burglary risks were undertaken, and the simple form of policy employed and the other advantages offered will doubtless ensure a considerable increase to the company's revenue as arising from the business of this department.

Machinery and Income-Tax. It was stated at a meeting of the Halifax Chamber of Commerce, held a short time since, that it was not usually known in the district that manufacturers were entitled to allowances for obsolescence of machinery for income-tax purposes. It was pointed out that expenditure upon repairs may be claimed as a deduction, and a further allowance for obsolescence may be claimed in respect of old machinery replaced by new. Thus, upon the introduction of more modern machinery into a factory, no objection can be taken to the allowance of a deduction from the assessable profits of the year of so much of the cost of replacement as was represented by the existing value of the machinery replaced. Any excess in the cost of the new machinery over the actual present value of the old replaced machinery is, of course, an addition to the capital of the business, and no deduction can be claimed in respect thereof. It was mentioned that, although the order dealing with the matter has been in operation since 1897, no claims on account of obsolescence had been made in the Halifax district—a statement which certainly gives colour to the suggestion that the provisions are not generally known or understood.

The Law Life Assurance Society. The eighty-third annual report of the Law Life Assurance Society for the year ended 31st December 1906 has now been issued. As, however, it does not follow the usual practice of comparing the results of the current with the preceding year, it is impossible to gather what progress (if any) is being made by the society. It appears, however, that the net new business on 516 policies was £545,379, producing single premiums of £5,031, and annual premiums of £17,329. The total net premium income for the year was £286,062, which, it is stated, is £2,585 more than the corresponding figure of 1905. The interest yielded by the society's funds was at the rate of £4 6s. 3d. per cent., without deduction for income-tax—an unusually high figure, while the expenses of management represent £11 17s. per cent. on the premium income. The accounts have been audited by Mr. Gérard van de Linde, F.C.A., and Mr. Walter F. Wiseman, F.C.A., whose certificate and report is of the usual form rendered necessary by the Companies Act, 1900. Inasmuch, however, as the society is stated to have been established in 1823, it is not altogether clear why this form should be considered necessary.

The Detection of Fraud. According to the evidence heard at the Mansion House a short time since on a charge of larceny and falsification of accounts, which resulted in the defendant being committed for trial, it was stated that since 1885 the defendant had been in the service of the prosecutors as chief accountant and bookkeeper, and had entire charge of their banking account. For some years a firm of accountants had been employed to audit the books, but apparently they did not compare the paying-in counterfoils with the Pass Book. Recently another auditor was called in and he at once made discoveries which led to the present prosecution. Assuming the facts to be as stated, this draws attention to the importance of the Bank Pass Book being checked in detail, and to the inadequacy of relying solely upon the fact that the balances of the two books agree at the end of the year. The defendant referred to pleaded Guilty at the Central Criminal Court on the 25th ult., and was sentenced by the Recorder to 15 months' imprisonment with hard labour.

A Presentation at Manchester. For 21 years Mr. Arthur E. Piggott, F.S.A.A., has held the post of Hon. Secretary of the Manchester and District Society of Incorporated Accountants, and his fellow members have recently signified their recognition of his services and their personal esteem by presenting him with a gold watch and chain and an enamelled seal pendant,

in commemoration of the event. Mr. Piggott is well known in Manchester business circles, and is the secretary of various trade organisations.

Judicial Changes. The vacancy caused in the *personnel* of the Supreme Court by the death of Lord Davey has been filled by the appointment of the Rt. Hon. Sir R. Henn Collins to be a Lord of Appeal in Ordinary. Sir Richard was called to the Bar in 1867, raised to the Bench in 1891, and promoted to Lord Justice of Appeal in 1897. Four years later he became Master of the Rolls, which post will now be filled by the promotion of Sir Herbert Cozens-Hardy, who became a Judge of the High Court in 1899, and two years later became a Lord Justice of Appeal. These appointments are excellent in every way, and the House of Lords in particular will gain an accession of strength as the result.

The Law as to Guarantees. His Honour Judge Woodfall stated in the Westminster County Court a short time since that a new point in connection with the law relating to guarantees had arisen, and he accordingly gave leave to appeal against his decision. The facts were that a creditor, having obtained judgment against a debtor, and an order for payment by instalments, had sued the debtor's guarantor for the amount, although there had been no default in the payment of the instalments directed by the order of the Court. His Honour held that under the circumstances the creditor had no cause of action against the guarantor; but, while one appreciates the difficulties and the novelty of the position, it must be admitted that an order to pay by instalments, even while it is being complied with, is not precisely the same thing as payment, and the guarantor has presumably made himself liable to pay in the event of payment not being recovered from the principal debtor. The point is certainly one that ought to be covered by a High Court decision, but it of course yet remains to be seen whether the parties to this particular action will be sufficiently public-spirited to provide one for the benefit of the community at their own personal expense.

The Association of Municipal Corporations. The Committee of Selection, appointed to fill the vacancy caused in the Presidency of the Association of Municipal Corporations by the resignation of Sir James Woodhouse, has nominated for the post the present Vice-President, Mr. J. S. Harmood-Banner, F.C.A., M.P., and has suggested Mr. A. H. Scott, M.P., for the Vice-Presidentship. The nominations will be submitted to a general meeting of the Association to be held on the 18th prox.

Municipal Trading at Bath. By forty-two votes to two the Bath Town Council, at their meeting on the 26th ult., resolved to sell the Council's electric lighting undertaking to a syndicate on terms which, it was stated, would provide them with a net profit of between forty thousand pounds and fifty thousand pounds. It will be interesting to follow the fortunes of the undertaking during the next few years, with a view to seeing whether, and, if so, how, a proprietary company can afford to pay a handsome bonus upon taking over a municipal trading department and then produce a better return upon the capital employed than was formerly secured.

The Retirement of Judge Collier. His Honour Judge Collier, who has recently resigned his position as Judge of the Liverpool County Court, was the senior member of the County Court Bench, having occupied that position for thirty-three years, during which time his relations with the profession and with the public were always of the best. The appointment of a successor rests with the Chancellor of the Duchy of Lancaster, the Right Hon. Sir Henry Fowler. The distinction of being the senior County Court Judge now belongs to his Honour Judge Bacon, who has been on the Bench for twenty-eight years.

The Constitution of the Court of Appeal. We understand that Lord Loreburn has introduced a Bill into the House of Lords providing that, with the consent of the Lord Chancellor, any division of the Court of Appeal may consist of two Judges of that Court sitting together, instead of three. The plan may possibly have the effect of helping to reduce the excessive arrears now awaiting the decision of the Appeal Court, but in every other respect it seems likely that the results would be most unsatisfactory. Nothing could be more inconclusive than the decision of a Court consisting of two Judges where the Judges differ, and the decision of the senior Judge thus becomes the decision of the Court. This very fact has recently been recognised in connection with the Divisional Court, which

now, as a rule, consists of three Judges instead of two. It may be pointed out, moreover, that the *personnel* of the Court of Appeal is at the present time not particularly strong, and that this is therefore a most unfavourable time for reducing the strength of a division.

A Gold Reserve Scheme. An interesting suggestion for the formation of a gold reserve has been made by Mr. A. H. Gibson, F.C.A., in the columns of *The Financial News*. His suggestion strikes us as highly ingenious, but as our readers will doubtless prefer to peruse it in Mr. Gibson's own words, we reproduce them from the columns of our contemporary as follows:—

"There is a method whereby our currency gold reserve may be augmented and sustained by some £50,000,000 or £60,000,000 without any direct expense to the banks. As many people are doubtless aware, the average total face value of cheques in circulation is somewhere between £60,000,000 and £80,000,000. At the time of the passing of the Act of 1844 this enormous expansion in the use of cheques was entirely unforeseen; joint-stock banks were in their infancy, and the framers of the Act imagined that the Bank of England note was destined, along with actual coin, to be the main currency at all times. They thought that the expense of providing a national gold reserve would always be indirectly met by the holders of the notes. The 'dead' gold bore no interest, nor did the notes in circulation, so no one saw any cause for complaint. Now the cheque system has very effectually put a permanent stop on any expansion of note circulation; but it has not provided a 'dead' gold reserve equivalent to the face value of the cheques in circulation. It has taken possession, but pays no rent. My suggestion is to make it do so with the best of graces and with as little derangement of our present banking system as possible.

I suggest that an Act of Parliament should be passed stipulating that, so far as interest is concerned, all cheques drawn must be debited to the drawer's account from the date drawn, and not from the date of presentation, which is the present custom, the saving effected thereby to be handed over to the Government or to some other central authority to cover the expense of keeping £50,000,000 or £60,000,000 of gold lying idle. Anyone drawing and issuing post-dated cheques to be dealt with in the same manner as a counterfeit coiner. Cheques presented on the same day as that on which they were drawn would not, of course, be affected by the change. The existing bookkeeping of banks could still be employed. An extra column would only have to be provided in the Ledger. The following is an example of the transaction as it would appear in actual practice. A cheque for £100, dated, say, February 9th 1907, reaches the bank on which it is drawn on February 14th 1907. It is debited to the drawer's account, which is in credit, and in our extra column is made the following entry: 5 + 100 = 500. Let us suppose that the total of such products for the half-year amounts to £181,000, that the half-year consists of 181 days, and the rate of interest allowed to the customer is 2 per cent. Then the sum of £1 would be deducted from the interest proper at the end of the half-year, such sum eventually being handed over to the Government or other central authority keeping the gold reserve. Should the customer have a debit balance on which interest, say, at the rate of 5 per cent. was being charged, then the 'currency' charge on his account would not be £1 but £2 10s. Some arrangement would have to be come to with those customers who had credit balances on which no interest was being allowed. I am inclined to think the banks would volunteer to bear the 'currency charge' on such accounts. It would probably not amount to much, and the banking community would be fully compensated by the increased confidence in our banking system that the increased gold reserve would bring.

The interest currency charge to customers, which I have suggested should be at the rate allowed to them on their credit balances or charged to them on their debit balances, would probably average 3 per cent. on all cheques while in circulation As an alternative Parliament might provide that a fixed rate, say, of 2½ or 3 per cent. should be charged, irrespective of the fact whether an account had a debit or a credit balance. I would particularly point out that my suggestion is simply to place our cheque circulation on the same footing as our note circulation. It is not for one moment intended to be an imposition placed on bank customers. Customers could lodge no complaint against their bankers, for the change would be a Government measure and not a bank measure. All would be treated alike.

Should a person at the present time wish to pay a household account, say, of £20, he as a rule either gives his tradesman a cheque for that amount or gives him Bank of England notes which he has obtained from his banker, and the amount of which has already been debited to his account at the bank. In the case of a cheque being given, the tradesman, through indifference or inconvenience, may defer presenting it at the bank on which it is drawn for several days, and, if so, the drawer is saved a like number of days interest; but

contend that the drawer has no right to such saving, provided the holders of bank-notes have no right to demand interest on the notes they hold. Both Bank of England notes and cheques are negotiable, though it is true that cheques are not legal tender. A most valuable feature of the proposed change is that the gold reserve would automatically increase as the cheque circulation increased. It is essentially a currency reserve suggestion, and must not be confounded with the suggestions I have set forth in the *Bankers' Magazine* (January, February, and March numbers) as to how gold reserves held against deposit liabilities may be augmented."

"Free of Income-Tax." Following the interesting correspondence on this subject, to which we directed attention in our last issue, there has appeared in *The Financial News* a letter from a firm of tax repayment agents which contains another addition to the controversy—if we may call so simple a matter by so large a name. At the recent annual meeting of a well-known concern one of the members asked that the dividend should be declared free of income-tax in the interest of many of the poorer shareholders, who might have trouble in getting the tax returned. The chairman is then reported to have said that if the company paid the income-tax they would not be able to get it back. The firm of tax-adjusters (the supply of fancy names is but limited) hasten to say that it is quite as easy, not to say easier, to obtain refund of tax on a dividend from which the tax is deducted than it is on a dividend declared free of income-tax. It is also said, with regard to the chairman's remark that in neither case, whether the dividend is declared free of tax or has income-tax deducted, could the company get the tax back—it is always for the shareholder to do that individually. "The advantage of a dividend being "paid 'free of tax' is that the dividend is thereby 5 per "cent. more than it would otherwise have been."

"Income-Tax and Accountancy." Under the above title a paper was read by Mr. T. Hallett Fry before a society of accountants last week. After dealing with the ordinary questions of wear and tear, depreciation, deductions, &c., the lecturer pointed out that in the majority of cases the Surveyor of Taxes could deal with points in dispute, and is reported to ve said that he would not advocate the Surveyor's 'ement were he lecturing to "ordinary business and professional men," but before a "society of accountants," their superior knowledge would not make such a settlement dangerous—

> "The Surveyor would doubtless be sweetly reasonable when he met one who knew nearly as much about the tax law as he did, although he might not be disposed to instruct a member of the public for the latter's benefit only in the law appertaining to income-tax."

The lecturer then pleaded for more accurate book-keeping, which would be more beneficial to traders than to accountants; and after mentioning the "reprehensible practice of creating secret reserves," warned his hearers of the dangers that accountants sometimes ran owing to the practice of tradesmen and others of "sweating takings."

Debenture Trustees' Remuneration. The Court of Appeal last week delivered judgment on the appeals in the actions brought by the United Reefs (Sheba), Lim., against Messrs. Harvey & Henwood. It may be remembered that the company brought the actions to recover certain sums which, it was alleged, had been improperly received by the defendants as remuneration for acting as trustees for debenture-holders. The facts, as stated, showed that the trust deed securing the debentures by mortgage was never executed, but the trustees claimed remuneration as from the date when the applications for debentures were accepted. Lord Justice Cozens-Hardy, in giving judgment for himself and the Master of the Rolls, said it appeared to him that the trustees could not say that their rights or duties as trustees had ever arisen under the mortgage bond, which had not been created. The appeals were dismissed with costs. The decision only comes to hand as we go to press, and a full report will not be available until our next issue.

The United States Currency Question. The passage of the Aldrich Currency Bill through the United States Senate seems destined to relieve the inelasticity of American currency, to some small extent at any rate. The main features of the measure are:—

(1) Gold certificates for $10 are to be issued in place of silver certificates of the same denomination, and these in turn shall have their place taken by silver-backed notes of $1, $2, and $5, which appear to be in greatest request.

(2) Customs receipts can apparently be deposited in the banks instead of increasing the Treasury hoards. At any rate, the Secretary of the Treasury will no longer be under the necessity of antedating interest distributions or adopting other strange methods of returning these receipts for the use of commerce.

(3) The limit on the withdrawal of national bank notes has been raised from $3,000,000 to $9,000,000 per month. The issues of the national banks will therefore not be so unremunerative when periods of stringency have passed, and although the limit is not as high as bankers would like, the elasticity of the bank-note portion of American currency will have been improved.

The "A B C" of Directors. The 1907 edition of the "Directory of Directors," which has recently appeared, loses nothing in the way of interest by comparison with its predecessors. The present volume contains the named appointments of 20,600 persons—an increase of 600 over last year. This small increase, as compared with the larger number of companies, leads the compiler to suppose that there is a tendency at the present time to form the boards of new companies from men already experienced in directorial duties, rather than from novices. There are no lists of pluralists, and Mr. Skinner contents himself with remarking that the average number of directorships held is only about two. All proofs have been submitted to the persons concerned before publication, and every care has been exercised to bring the information right up to date. In this latter connection *The Financial News* remarks that there is a temptation to strike out the titles of undesirable companies, and a case is cited where some directorships were omitted after a person's name. This is not the compiler's fault, of course, but, if carried to a large extent, might render the book less valuable for purposes of reference.

Cheques and Telegrams. It is interesting to note that in the recent case of *Carter v. The London City and Midland Bank* evidence was given to the effect that 15 or 20 per cent. of the stopped cheques in London were arranged by telegram and that such wires were accepted even when they did not bear a pre-arranged code signal.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Uniform Hospital Accounts.

(*To the Editor of The Accountant.*)

SIR,—I have read the inquiry in your last issue, and hasten to inform the writer that my view agrees with his that, technically, the account of Income and Expenditure should be stated so that the expenses appear on the left-hand side and the income on the right.

But experience has taught me that, when the essentials of an account are thoroughly understood by those who have to keep it, it is not wise for an expert to insist upon technicalities.

The only reason of which I am aware for placing expenses on the left-hand side of an account is that it is usual to enter the payments on the right-hand side of the Cash Account; had it pleased our predecessors to place the cash payments on the left-hand side, double-entry would have required that assets and expenditure should appear on the right side.

This being so, I have followed the example of many eminent accountants who are or have been auditors of the accounts of hospitals, and have not pressed for a change in the accounts, in this respect.

Yours faithfully,

JOHN G. GRIFFITHS.

February 27th 1907.

Surrenders of Shares and Divisible Profits.

(*To the Editor of The Accountant.*)

SIR,—I shall be glad of information on the following point.

A company is formed to take over an engineering business. The assets acquired are freehold property

plant, stocks, &c., £15.500; shares in the A. B. Co., Lim. (a subsidiary company formed by the vendor to work a cycle and motor business), £1,500; goodwill, £3,000. Under the agreement for sale the vendor receives cash, £5,000; debentures, £2,000; preference shares, £5,000; and ordinary shares, £6,000. The balance of £2,000 is to be satisfied by the issue to him, if and when he shall so require, of a further £2,000 ordinary shares, the amount meanwhile not to carry interest.

The accounts for the first year show a profit on the engineering business of £1,200, but a loss of £400 on the cycle and motor business. The vendor decides to surrender his £2,000 option. It is proposed to set against this the trading loss on the cycle and motor company, and a further loss on the sale of that business, also the preliminary expenses, and to write off the balance against goodwill. The company is thus enabled to pay a dividend on the ordinary shares.

Can the £2,000 legally be used in this way, or must it be employed only in writing down the goodwill?

Yours faithfully,

DUBIOUS.

Income Tax on Partners' Salaries.

(*To the Editor of The Accountant.*)

SIR,—I have recently been engaged on a very interesting appeal to the Special Commissioners arising on an assessment against a partner for income-tax on his salary as partner, the facts of which, I think, it would be interesting to your readers to know, and on which perhaps they may like to express some opinion.

A. and B. were in partnership together as house property owners, A. being entitled to ⅔rds of the profits, B. ⅓rd. In the partnership deed, however, it set forth that B. was to receive by way of salary for extra services rendered by him the sum of £100 as salary.

In consequence of the death of A. the deed had to be produced at the Inland Revenue, and a note as to this salary appears to have been sent over to the Income-Tax Department, whereupon, as B. did not appear to have made any separate return, an assessment was made upon him for this salary. As may be readily understood, this assessment was appealed against to the Special Commissioners. After waiting for a period of nearly three years the appeal was heard a few days ·o, with the result that it was held that B. was liable for tax on this separate assessment. It was submitted to the Special Commissioners and accepted by them:—

(1) That all the income of the partnership had been subject to income-tax, and that, therefore, this salary to one of the partners had already borne tax under Schedule "A."

(2) That no point arose in the fact that the income-tax on the profits of the partnership was paid under Schedule "A," rather than Schedule "D," as these were two schedules to one Act, merely providing the machinery for assessment of income-tax under different conditions.

(3) That there was a difference between a salary payable to a partner and a salary payable to other parties, and that such salary was in fact an appropriation of a share of profits, and that at any rate ⅓rd of such salary did in fact come out of the pocket of the individual on whom the assessment had been made.

The Special Commissioners, however, following the Inspector of Taxes, held:—

(1) That a partnership was a separate entity to its component partners, and that this salary was for services rendered, and came in for assessment under Schedule "D," notwithstanding the fact that the partnership as a partnership had been fully assessed for its profits without deduction.

(2) That such being the case it was not pertinent to the question before the Commissioners whether B. himself paid any proportion of the salary that he was receiving, because B., as a partner, was only interested in the profits after the payment of all expenses of the partnership, and by special contract such expenses included the salary to himself.

(3) That the whole point was that this salary was for special services rendered by an individual to a group of other individuals, and that, therefore, such individual should make a separate return and be assessed separately for such salary, and that the profit made by the individual for services rendered was separate and distinct from the profit made by the partnership in the conduct of its business.

It was pointed out in the course of the argument that the position taken up by the Commissioners might result theoretically in B. being able to sue himself for the whole salary, as members of a partnership are liable jointly and severally for all their contracts.

The injustice of this decision is, of course, obvious, but the main lesson to be drawn is, however, that it is

most important in partnership deeds that these so-called salaries should be described in other language. The absurdity of the argument of the Special Commissioners is apparent, because in ninety-nine cases out of a hundred any variation in the share of the profits is "not in rights of ownership but in respect of services," a phrase which was constantly being repeated by both the Inspector and the Commissioners.

Yours faithfully,

4th March 1907. E. W. G.

Gordon v. London City and Midland Bank.

(*To the Editor of The Accountant.*)

SIR,—In your issue of the 9th ult., on p. 176, you refer to a case *Gordon v. London City and Midland Bank.* I shall be glad if you would, in your next issue, state in what paper a report of this case may be found.

Yours truly,

Clacton-on-Sea, March 4th 1907. H. JONES.

Gas Companies: Capital v. Revenue.

(*To the Editor of The Accountant.*)

SIR,—As an articled clerk I should like to ask a question, and shall be glad to see the reply in the next issue of *The Accountant.* It is this:—

A ratepayer undertakes to pay some hundreds of pounds to a local gas and water company if they will lay certain mains to his property. Will it be in order to credit Profit and Loss Account and use this amount in part payment of dividend; and, if not, to what account should it be placed?

Thanking you in anticipation of reply,

I am, Sir, your obedient servant,

March 6th 1907. ARTICLED CLERK.

Deeds of Arrangement.

(*To the Editor of The Accountant.*)

SIR,—With reference to the letter of Mr. David P. Davies on the above subject, which appeared in your issue of 5th January last, in which he stated that "It is too late to assent after the death of a debtor," I shall be glad if Mr. Davies or some of your other readers can inform me of any decisions to support this assertion. I have good reasons for doubting the accuracy of this statement.

Yours faithfully,

5th March 1907. DUBIOUS.

Accountant-Clerk Volunteers.

(*To the Editor of The Accountant.*)

SIR,—Would it not be a good idea for the Chartered Accountants of this country to follow the example of the Liverpool shipowners, and to give those members of their staff who were Volunteers a week extra holiday in which to attend camp?

Yours, &c.,

P. B. P.

A Question of Etiquette.

(*To the Editor of The Accountant.*)

SIR,—A principal clerk—who is a member of one of the two leading bodies—has good friends amongst his employer's clients, who would transfer their business to him, if asked.

After long years of service strained relations have arisen between clerk and employer, which jeopardise the clerk's position and livelihood.

Would the clerk, who is under no bond not to do so, be justified in asking his friends for their business, and could it be considered improper conduct on his part?

Your opinion in your next issue would be much appreciated by

Yours truly,

5th March 1907. ETIQUETTE.

[Such conduct is, we think, to be severely deprecated. —ED *Acct.*]

Dividends paid in Shares.

(*To the Editor of The Accountant.*)

SIR,—There is an interesting point of company law that crops up from time to time upon which I should like to have your opinion, or, if already dealt with by you, be referred to back numbers of *The Accountant.*

I refer to what practically amounts to a payment of dividend in shares.

The case is easily imagined.

The Balance Sheet at December 31st shows a profit of £10,000 earned, but there is no cash in the bank, extensions and improvements having swallowed up all available cash. A dividend is declared, absorbing £10,000; cheques are drawn and handed to the shareholders; £10,000 worth of shares are allotted to the same shareholders, and the cheques, duly endorsed, are paid back to the company in payment of the shares. There is no compulsion on the shareholders to take up the shares, but, of course, an understanding to that effect.

Is this a proper payment in cash for the shares so issued?

Yours faithfully,

28th February 1907. BETA.

Trustee's Charges under a Deed of Assignment.

(To the Editor of The Accountant.)

SIR,—I read with a good deal of interest the very full report of the proceedings taken against a member of the Institute by creditors in the Sheffield County Court with reference to the fees charged by him as a trustee in an estate he wound up under a trust deed. I have also read the leader in your issue of the 23rd ult. and Mr. Gill's letter thereon, which appeared in your last issue. I concur fully with the closing remarks in the leader, and in the common interests of the profession I respectfully suggest (pending legislation regulating the status of professional accountants, which will come sooner or later—I trust sooner than later) that the Councils of the Institute and the Incorporated Society will give this question of fees their prompt and serious consideration.

Notwithstanding the decision of the Deputy-Judge at Sheffield, and the evidence given in support of the reasonableness of Mr. Parkin's charges, I have no hesitation in stating that the true interests of accountants will not be served by making this case a precedent. And, if they do, it will in my opinion give good grounds for creditors making use of "Official Receivers" in the realisation of debtors' estates.

We should not forget the fact that there are such persons as Official Receivers, or that there exists a schedule of fees fixed under the English Bankruptcy Act for realisation work, also that the schedule of fees payable in compulsory liquidation is regulated by the amount of the assets realised.

With the greatest possible respect for the opinions of the eminent members of the Institute who consider that a trustee should be paid by fees, I am of opinion that the proper method should be by a percentage on the assets realised and distributed, especially if accountants wish to retain this class of work, and prevent it getting into the hands of Official Receivers.

Yours faithfully,

5th March 1907. EBLANA, A.C.A.

The Institute of Chartered Accountants in England and Wales.

AT a meeting of the Council held on Wednesday, the 6th March 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present:—Mr. W. B. Peat (President) in the chair, Mr. John B. Ball (Vice-President), and Messrs. W. Ashworth, J. H. Blackburn, W. Blease, T. Bowden, E. M. Carter, Ernest Cooper, Sir John Craggs, Mr. E. Edmonds, Sir Walter Fisher, Messrs. John Gane, A. H. Gibson, T. Gregory, J. E. Halliday, B. W. Hardcastle, D. Hill, F. A. Jenkins, H. Woodburn Kirby, G. Walter Knox, J. G. Litton, J. Mather, A. O. Miles, F. W. Pixley, W. Plender, T. G. Shuttleworth, G. Sneath, E. Waterhouse, F. Whinney, J. W. Woodthorpe, and F. J. Young.

The President presented the following prizes and certificates, won at the recent Examinations, to the undermentioned gentlemen, who were able to attend the meeting of the Council, and congratulated them on their successes:—

Intermediate Examination Prize, and Robert Fletcher Prize Certificate.

Mr. H. B. Ward.

Final Examination Prize, and First Certificate of Merit.

Mr. F. W. Carder.

Certificates of Merit.

Mr. L. J. Yeoman, 3rd.
,, J. G. Cross, 4th.
,, G. L. Chandler, B.A., 9th (bracketed).
,, W. T. Wood, B.A., 9th (bracketed).

The General Purposes Committee reported the death of Mr. W. G. Howgrave, the former Secretary of the Institute, and it was resolved that a letter of condolence be sent to Mrs. Howgrave.

The Examination Committee reported that they had appointed the following gentlemen to be Examiners:—

Preliminary Examination, June and December 1907.

Professor Henry E. Armstrong.

Intermediate Examination, May 1907.

Bookkeeping (Partnership), Mr. T. G. Shuttleworth.
Do. (Executorship), Mr. T. Bowden.
Auditing, Mr. W. H. Fox.
Rights and Duties of Liquidators, &c., Mr. J. B. Ball.

Final Examination, May 1907.

Bookkeeping (Partnership), Mr. J. E. Halliday.
Do. (Executorship), Mr. D. Hill.
Auditing, Mr. F. W. Pixley.
Rights and Duties of Liquidators, &c., Mr. J. B. Ball.

Final Examinations, May and November 1907.

Bankruptcy and Company Law, Mr. E. F. Turner.

Mercantile Law and the Law of Arbitrations and Awards, Mr. Leslie Hunter.

The following members of the Council were appointed a Committee to make arrangements for the Autumnal Meeting to be held at Newcastle-upon-Tyne this year:—Messrs.

John B. Ball, J. W. Barber, J. H. Blackburn, W. Blease, T. Bowden, Sir Walter Fisher, Messrs. J. E. Halliday, A. C. Harper, D. Hill, W. B. Peat, and E. Waterhouse.

The Secretary reported:—

(1) That in the case of *The Institute v. Yoxall and others*, carrying on business as The Institute of Accountants, London, a perpetual injunction has been granted, with costs, against the defendants using that name.

(2) The death of—

Mr. H. J. Walter, F.C.A., London.
,, J. Worley, F.C.A., London.
,, J. Pearson, A.C.A, Sheffield.
,, P. M. Rogers, A.C.A., London.
,, R. A. Tyacke, A.C.A., London.

It was resolved that the April meeting of the Council be held on the 10th prox.

Recent Additions to the Library.

Purchased.

The Foreign Traders' Dictionary of Terms and Phrases in English, French, German, and Spanish. By J. Graham and G. A. S. Oliver. London: 1906.

The Nature of Capital and Income. By Prof. Irving Fisher. London: 1906.

Dawbarn & Ward's Insurance Blue Book, 1906-7.

Palmer's Index to *The Times*, Oct.-Dec. 1906.

Parliamentary Debates; 17th Vol. of 1906.

Civil Service and Revenue Department Appropriation Accounts, 1905-6.

Local Government Board Report, 1905-6.

Building Societies' Eleventh Annual Report for 1905. Part I.

Presented by the Author.

Cost Accounts for Small Manufacturers. A paper by M. W. Jenkinson, A.C.A. London: 1907.

The Elements of Bookkeeping. By M. W. Jenkinson, A.C.A. London: 1907.

London Joint Stock and Private Banks; Analysis of last published Balance Sheets, February 1907. By H. W. Birks.

Presented by W. Lacon Threlford.

Mr. Wingate's Arithmetick, enlarged by John Kersey. 6th edition. London: 1673.

Presented by E. A. R. Adams, F.S.A.A., Borough Treasurer.

Metropolitan Borough of Shoreditch Abstract of Accounts, 1904-5.

Cost Accounts for Small Manufacturers.

By M. Webster Jenkinson, Chartered Accountant. (*Sheffield*).

A paper read before the members of the Manchester Chartered Accountants Students' Society on Monday, 4th February 1907; the Liverpool Chartered Accountants Students' Association on Thursday, 7th February 1907; the Leicester Chartered Accountants Students' Society on Wednesday, 13th February 1907; and the Northern Chartered Accountants Students' Society on Wednesday, 6th March 1907.

"If you look for a good speech now, you undo me; for what I have to say is of mine own making; and what indeed I should say, will, I doubt, prove my own marring."—*Henry IV.*

In our profession we need two assistants, Theory and Practice; but whilst each plays an important part in our daily routine we can more easily dispense with the former than with the latter. True, theory ofttimes makes more outward show, and is more eager to display his talents than his more modest companion, but, in the end, practice proves his true worth and commands the more esteem.

"Study is like the heaven's glorious sun,
That will not be deep-searched with saucy looks:
Small have continual plodders ever won,
Save base authority from others' books.
. . . . . .
So Study evermore is overshot;
While it does study to have what it would,
It doth forget to do the thing it should."

Love's Labour Lost.

Efficient costing demands something more than a knowledge of the theoretical principles of factory accounting; something more than a hazy idea of modern methods of organisation; something more than book-learning—it calls for an intimate knowledge of the inner workings of each particular business.

Many books have been published on the subject—many excellent books; many lectures have recently been given—lectures far better than the one you will hear to-night; many hours of study have been devoted to the matter by competent men: yet at the present day but few the

manufacturers who have any efficient costing system in operation.

In these days of keen commercial struggle—when our manufacturers prate of the good old days gone by; when our bankruptcy returns show increasing failures; when the gloomy forebodings of the Tariff Reformer, the dismal wail of the unemployable unemployed, and the heavy burden of taxation, both local and Imperial, lead us to wonder if England's commercial supremacy is on the wane; when the outlook, to those pessimistically inclined, is so direful—is it not time that our manufacturers realised that the business methods of their forefathers are not the business methods of to-day; that the scratch of the pen may *earn* profits as well as the throb of the machines; and that it is the wise man who sitteth down first and counteth the cost.

Ask the *small* manufacturer why he does not keep proper Cost Accounts, and he will generally tell you that profits are so small that he cannot afford the expense; ask his accountant why he does not recommend his clients to do so, and he will tell you that the business is not worth the trouble: yet, maybe, if that manufacturer but knew the cost of his productions he would be able to alter his estimates, reduce his expenditure, and increase his profits.

A manufacturer who guesses his costs may be pushing one line or department, whereas actually each order shows a loss, and then when the annual "spring cleaning" takes place, and he ascertains the result of his trading operations for the year, he cannot understand why his profits are not as large as anticipated.

In our early days, when we learnt the rudiments of double-entry, we were taught that one of the advantages of the system was that a trader could ascertain not only *how much* profit he had made, but also *how he had earned it*.

The Trading Account is, however, only the summary of the trading results—a manufacturer requires further details, and he *should* have them. The introduction of the factory system has partly brought about the necessity for proper costing.

As the division of labour has increased so has the difficulty of ascertaining the cost of the finished article become greater, but, at the same time, all the more necessary.

Our distant relatives on the other side of the "fish-pond" have already realised this. Uncle Sam, at home, always counts the cost; and if we do not admire all his business methods, yet this is one well worthy of imitation.

It has already been mentioned that practical experience of the requirements of the business is the groundwork of any system of Cost Accounts. It is no disgrace to our profession to say that the most ignorant manufacturer knows more about costing in his own business than any average Chartered Accountant; but there is one important quality which he lacks, that is *method*.

He has the knowledge, but it is in his head—he does not know how to turn it to account; and it is here that we can prove of service and lead him into the way that he should go.

Before, however, attempting to do so we should first ascertain the particular nature of the business; find out what goods are manufactured and what processes they undergo; make friends with the works foreman, and wander round the shops in his company; observe the evolution of each article, and how it passes from the raw material through its various stages until it finally reaches the Finished Stock Warehouse; find out on what basis the men are paid for their work, what machinery is used; and, lastly, but by no means least, what supervision is exercised.

And now a few "Don'ts."

Don't boast of the efficiency of *your* system; don't ridicule the present methods; don't make the works foreman think you consider him incompetent, even though he be so; don't talk of the methods of rival manufacturers; don't run down the Labour party; and, above all, don't pretend that you know everything about the business that there is to learn.

Use your eyes, use your brains, use your knowledge, and use your note-book, and then, when dust-begrimed and footsore you return to your office, you will have the material available to formulate the method you think best.

And when you have mapped out, as you think, an ideal system, light your pipe, and under the soothing influence of that friend of mankind search out the weak spots, consider whether your beautiful theoretical method is not practically impossible, decide that it be so, throw your papers into the fire, and—start afresh.

This is the way I draft a system of Cost Accounts for a small manufacturer.

Cost Accounts may be defined as a system of recording in accounts the materials used and labour employed in the manufacture of a certain commodity or on a particular job.

The cost of any article or job may be classified as follows:—

(1) The Prime Cost, or Cost of Production, consisting of the expenditure on Raw Materials, Direct Wages, and other expenditure directly chargeable—*e.g.*, Carriage on Goods Inwards.

(2) Shop Expenditure, or General charges. This includes the Wages of Foremen, Power, Tools, Upkeep, and all expenses incidental to production.

(3) Establishment Expenses, or Expense of Distribution and Administration, including Office Salaries and Expenses, Travellers' Salaries, &c.

The expenditure under headings (1) and (2) varies according to turnover. The establishment expenses are more or less fixed, and the trade done might be doubled in many cases without any appreciable increase in this direction.

It may therefore be said that, assuming an average rate of gross profit, there is a certain turnover that must be done in every business in order to pay the establishment charges, and therefore it is often advisable to take contracts that show a very bare margin of net profit in order that the dead cost on other jobs may be reduced.

The object of any system of Cost Accounts is primarily to show—

(1) The prime cost, or cost of production, so that the manufacturer may know either the profit or loss on the article or job, or, if not sold, the selling price he should charge.

(2) The analysis of such cost.

The secondary objects may be described as follows:—

(1) To obtain reliable records of work done for future reference.

(2) To detect waste of material or loss of time.

(3) To act as a check on managers and others in authority.

(4) To enable monthly or other periodical returns to be prepared to show the progress of the business.

In some businesses, as, for example, an electro-plate and cutlery manufacturer, it is only necessary to obtain departmental results showing the total cost of goods manufactured in each department; whilst in the case of an undertaking producing but one class of article, such as a colliery or a brewery, only the average cost per unit of each stage of manufacture is required.

Again, in some undertakings the transactions are divisible into distinct contracts, and the separate result of each contract is desired; whilst in others which manufacture a great number of different articles, each undergoing several processes, it is both the cost of each process and the ultimate cost of each article that has to be obtained.

On this occasion we will only consider the system to be adopted in these two latter cases.

For this purpose it is necessary—

(1) That the direct wages are analysed to the various contracts or jobs.

(2) That the materials used are similarly charged.

(3) That the fixed charges are properly apportioned.

Direct Wages.

It is most imperative that a good system of recording the cost of labour be adopted and carried out.

The timekeeper should keep a record of the time worked by each man. In addition each workman must enter the time spent by him, and particulars of the work done, on each job, on a Time Sheet which he receives from the timekeeper each morning on "checking in" and hands in at night on "checking out."

The total time must agree with that recorded in the Timekeeper's Book.

A simple form of Time Sheet is as follows:—

Form 1.— TIME SHEET.

Workman's Name..... Date.....

No..... Occupation.....

Job No.	Name of Customer	Particulars of Work done	Hours	Rate	Amount	
					£ s d	

(Signed).....*Foreman.*

Next morning these sheets are sent up to the office, and the cost clerk proceeds to post the various amounts to the Cost Ledger.

This may be done direct from the Time Sheet, in which case he first fills in the "Rate" column, calculating the cost of the time spent according to the wages paid to each man.

If he adopt this method, in order to ascertain the total wages charged he will enter the various totals in a Summary Book, in order that the total wages charged may be agreed with the wages paid.

The Time Sheets are usually so badly written up that in a small business, where full details of the work done have to be shown in the Cost Ledger (as explained hereafter), the particulars are often copied into a *Time Summary Book*, ruled as follows:—

Form 2.— TIME SUMMARY BOOK.

Workman's No.	Workman's Name	Particulars of Work Done	Hours Worked	Rate	Time Value at Cost	Rate Charged	Time Value Charged Custom'r	Cost Led. folio
					£ s d		£ s d	

This method, however, involves a considerable amount of clerical labour, and in many concerns it is not necessary to show the details of the work done in the Cost Ledger.

In this case the various items can be posted to a Summary ruled as follows:—

Form 3.— WAGES SUMMARY for Week ending.....

Order No.....		Order No.....		Order No.....		Order No.....		Order No.....		Order No.....		Summary		
Time Sheet	Amount	Time Sheet	Amount	Time Sheet	Amount	Time Sheet	Amount	Time Sheet	Amount	Time Sheet	Amount	Order No.	Cost Ledger Fo.	Amount
	£ s d		£ s d		£ s d		£ s d		£ s d		£ s d			£ s d

The amount shown on the Time Sheet is entered each day in the Summary, and the weekly total posted to the Cost Ledger.

Another very convenient Form is that given in BEST's "Cost Accounts," the ruling of which is here reproduced.

Form 4.— WAGES BOOK where Money Cost with no details is all that is needed.

WAGES, Week ending.....

No.	Workman's Name	Extras	Hours	Rate	Amount	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	Total Hours on each Job	Cost Book Fo.	Cost Account	Total £ s d
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Note.—The right-hand Total would equal the Wages paid; and if 40 men were employed on one job the number of hours of each would be placed on the line and cross totalled. The Numbers at the top denote which man has spent the time, and the total on each job, without any particulars, is taken to the Cost Ledger.

Numerous other forms could be given, but all attain the same object and are framed on the same lines, the result being that the Cost Ledger Account is charged with the actual cost price of the direct labour employed on each job, and as Unchargeable Time, Time spent on Repairs, Cleaning up Shop, &c., are all recorded on the Time Sheets and charged to a Cost Ledger Account, it necessarily follows that the total wages charged each week, as shown by the Time Summary Book, must agree with the direct wages paid.

It is often contended that it is difficult to get the workmen to properly enter up the Time Sheets, and that this fact is an insurmountable difficulty to the adoption of a cost system.

This argument is certainly good for the first week or two, but with a little tact and firmness the men will soon get accustomed to the change and fill up the sheets as a matter of course. Perhaps here and there an old stager will refuse point-blank to comply, but very probably the true reason of his obstinacy is due to the fact that he cannot write and does not wish to appear ignorant before his fellows. In such cases his Time Sheet can always be filled up by the foreman, and as in these days of State education the illiterate workman is becoming more and more rare, it is safe to assume that ere long he will be called upon to render that last account which we all have to give, and his place taken by another who will have no cause for such an objection to the system.

Materials.

Although not absolutely essential, it is very desirable that a proper record be kept in every manufacturing business of stores purchased and used.

The risk is so great that materials may be used on a job and never charged, or maybe even taken away, that without such record it is impossible to exercise any proper supervision.

Materials may be divided into three classes:—

(*a*) Goods and materials purchased direct for a job.

(*b*) Goods and materials for stock.

(*c*) General stores (such as nuts, bolts, &c.) of which no proper record can be kept.

Goods and materials purchased direct for a job can be charged direct to the Cost Ledger, the Purchase Journal being ruled as follows:—

Form 5.— PURCHASE JOURNAL.

Date of Invoice	Invoice No.	Name	Particulars	Weight	Rate	Led. Ref.	Amount	Goods and Materials for Stock		Goods and Materials Purchased direct			General Stores	Other Analytical Columns
								Stores Led. fo.	Amount	No of Job	Cost Led. fo.	Amount		
				T.c.q.lb.			£ s d		£ s d			£ s d		

In the analysis columns space is provided for *Goods and Materials Purchased direct.* The amount of each invoice is therefore debited direct to the Cost Ledger from this source, and any work sub-contracted is dealt with through this medium in the same way.

It must be remembered, however, that the Cost Ledger is only a subsidiary book, and, as far as the financial accounts are concerned, not part of the system. Therefore an account must be opened in the Nominal Ledger for "Goods and Materials Purchased direct," and the monthly total in the Purchase Journal debited to this account.

It is impossible to keep any proper record of *small* stores, but for other materials and goods purchased an account should be opened in a Stores Ledger, all stores purchased being debited and stores issued credited.

The balance on each account then shows the amount that should be in hand.

Usually Stores Accounts only record *quantities* and not values, although personally I prefer, if possible, to show the cost of stores purchased, crediting each month the value of the stores issued. This, however, is impracticable, if one Stores Account is used to record stores of different quality although of the same character, as sometimes is the case.

The posting to the debit of the Stores Ledger is made from the Purchase Journal; but if it is desired to analyse the stores purchased in that book, the various quantities can be charged direct from the invoices, this generally being the more simple method.

The monthly totals of the Purchase Journal are posted to the debit of Nominal Accounts with headings to correspond to those given.

The following is a useful form of Stores Ledger:—

Form 6.— STORES LEDGER.

Name..... Maximum..... Minimum.....

Received into Stock						Issued out of Stock					
Date	No. of Invoice	Quantity		Rate	Amount	Date	No. Requis'n Note	Quantity		Rate	Amount
		No.	Weight					No.	Weight		
			T. c. qr. lb.		£ s d				T. c. qr. lb.		£ s d

Material purchased for stores, together with the Delivery Note containing particulars of the same, is sent to the store room, to be more or less jealously guarded by a more or less competent storekeeper, who should only issue any material on receipt of a Requisition Note bearing the number of the job for which it is required, a full description of the goods, and the signature of the foreman.

Form 7.— STORES REQUISITION.

No. 137

STORES REQUISITION.

Order No......

Particulars:

STORES REQUISITION.

Stores Requisition No. 137 190

Quantity	Description	Rate	Value	Fo.
			£ s d	
	ORDER NO.			
	Signed..... *Man's No*..... £			

Generally the workmen fetch the material required and sign the Requisition Notes themselves, the foreman examining the same each day and initialling them if correct.

Any material not required is returned to the storeroom, accompanied by a Stores Returned Note, and is dealt with in a converse manner.

Sometimes the Stores Ledger is kept by the storekeeper, but it is better for it to be written up by a clerk who has nothing to do with the receipt and issue of the stores.

The posting to the credit of the Stores Ledger can be made either direct from the Requisition Note or from the *Materials Issued Book*, explained later.

Each account in the Stores Ledger thus shows the quantity that should be left in stock, and, although there necessarily is a certain amount of leakage due to waste, the results shown on stocktaking should be approximately correct.

It must be distinctly understood that the Stores Ledger is quite apart from the Cost Books, and has nothing to do with the financial accounts. Its only object is to ensure

that all materials purchased for stock have been properly accounted for, and that no leakage is taking place in this direction.

Now it has already been explained that goods and material purchased specially for a particular job are posted direct to the Cost Ledger Account, so we now have to consider how materials used out of stores are charged up Three methods can be adopted:—

By the first the value of the goods is calculated and shown on the Requisition Note, and the posting made from that source, the totals being entered in a Summary Book.

The second method is to enter full particulars in a *Materials Issued Book.*

Form 8.— MATERIALS ISSUED BOOK.

Date	Req'n. No.	Description of Stores Issued	Job No.	Weight	Rate	Amount	Cost Led. Ref.	Analysis of Goods
				T. c. q. lb.		£ s d		

Each Requisition Note is entered up in this book, and the amount posted to the Cost Ledger.

The credit posting to the Stores Ledger can be made from this source instead of from the Requisition Note, but in practice the latter is the better method.

The third method is to enter up the Requisition Notes in a *Materials Abstract Book*, the weekly totals being posted to each job in the Cost Ledger and no details given.

The method to be adopted will vary according to the requirements of each case; but if an analysis of the stores issued is desired, the second method is the more convenient to adopt; and as this book can be kept by the storekeeper the extra clerical labour involved in entering up the particulars of each Requisition Note is not much increased.

Form 9.— MATERIALS ABSTRACT BOOK

Order No.....		Order No.....		Order No.....		Order No.....		Order No.....		Order No.....		SUMMARY		
Req. No.	Amount	Req. No	Amount	Req. No.	Amount	Req. No.	Amount	Req. No.	Amount	Req. No.	Amount	Order No.	Amount	Cost Book Fo.
	£ s d		£ s d		£ s d		£ s d		£ s d		£ s d		£ s d	

40 Accounts can be shown on each page.

The Stores Returned will be entered in red ink and deducted from the amount charged.

In this way all the materials actually used on each job are debited to some account in the Cost Ledger, the total amount posted to the Cost Ledger being ascertained from the *Summary* or *Materials Issued Book*, which latter may be analysed as required.

The General Stores used of which it is not possible to keep any proper account cannot be charged up from Requisition Notes, so on the completion of the job it is usual for the foreman to state what amount is to be debited through the *Materials Issued Book* or *Summary* for such stores.

Oncost.

Up to now we have shown how the direct wages and materials used on each job are charged up. We have therefore to consider how the fixed charges are to be apportioned to the various jobs.

As already explained on p. 316, the fixed charges can be divided into two classes—viz., Shop Expenditure and Establishment Expenses, generally known as Shop Oncost and Office Oncost, whilst *Oncost* may be defined as the amount to be added to prime cost to provide for this expenditure.

In considering the method to be adopted to charge oncost we have not time to view the matter from a purely scientific standpoint, and debate what effect bad weather, a general holiday, or a football cup tie has on the amount to be charged.

Sufficient is it for our purpose to discuss the general principles.

In the first place, it is evident that the amount to be charged is dependent on past experience, and it has been mentioned that a certain turnover must be assumed to arrive at the percentage required. Now, on what basis should the calculations be made? On prime cost (*i.e.*, materials and labour) or on materials only, or on labour only?

It is self-evident that these expenses do not vary with materials; for, to take a simple example, supposing the cost of two cylinders of exactly the same size is as follows:—

	Brass	Iron
Material	£60	£10
Labour	10	10
Prime Cost ..	£70	£20

If we add 20 per cent. oncost to total cost the brass cylinder would be charged with £14 and the iron one with £4, although actually there would be very little difference between the two; and if the price of brass rose so that the materials in the first case cost £80, the oncost would also increase £4.

Such a method is obviously incorrect, and except in special cases the oncost added should always be based on labour.

Some contend it should be calculated on the *time* employed, and not on the *cost* of the labour, but this proposition, although feasible at first sight, is untenable, owing to the fact that whereas a skilled man at a high wage may get one job finished in a certain time, a less competent man at half the wages will take twice as long over similar work.

The method usually adopted is as shown in the following example:—

Prime Cost—		
Materials	£300	
Wages	100	
		£400
Shop Oncost—		
50% on Wages		50
Shop Cost		450
Office Oncost—		
10% on Shop Cost		45
Total Cost		£495

As oncost is an estimated provision for indirect expenses the manufacturer should carefully examine his expenditure as shown by his Trading Account each year, revising his percentages where necessary. In the case, however, where various articles are manufactured a different rate is often added for each class.

Having briefly discussed the principles of costing, we will now apply them to the requirements of a small manufacturer.

For our first example we will take the case of a motor car manufacturer doing a repairing trade.

Each order, when received, is first entered in an Order Book, and then a Shop Order is given out stating the particulars of the work to be done.

The time spent by each workman is recorded in one of the ways given above, and the materials used on the job are entered up as already described.

The *Cost Ledger* is ruled as follows:—

Form 10.— COST LEDGER.

No. of Job.....

Customer's Name.....

Address..... Description of Car.....

WAGES									MATERIALS						
D	No. of Time Card	Workman's Name	Particulars	Hours	Rate	Time Value at Cost	Rate	Time Value Charged Customer	Date	Requisition No.	Description	Materials Book Ref.	Amount at Cost	Rate	Amount at Selling Price
						£ s d		£ s d					£ s d		£ s d

A separate account is opened for each customer. At the top of the page is given the customer's name and address, the number of the job, and a description of the car, this latter being useful for purposes of reference, especially if one customer has two or more cars.

Each day the time spent by each workman is posted up from his Time Card (or the Time Summary Book), calculated at cost price.

Similarly the materials used on each job are charged from the *Materials Issued Book*.

The selling price columns have no connection with the costing, but are inserted so that the amount charged the customer may be shown alongside the cost, as very often the Repair Accounts are rendered in full detail, and hence, by so doing, the invoice clerk has merely to copy out the particulars as there given, altering the wording where necessary and substituting the figures given in the selling price column for the cost prices.

In practice this is found of very great convenience, and is particularly suitable for all jobbing tradesmen—such as plumbers, small builders, and the like.

When the job is completed the account is ruled off, the oncost added, and the total transferred to the *Sales Journal*.

By using a separate page for each customer successive jobs can be posted to the same account, thus reducing the number of accounts in the Cost Ledger.

Accounts are also opened for Repairs to Plant and Machinery, Additions to Plant and Machinery, Repairs to Loose Tools, Car Hire, and Unchargeable Time, and any time spent or materials used for these purposes are charged up in the same way as work for customers.

Separate Accounts are also opened for each car manufactured, and all expenditure incurred debited thereto.

When a job is completed the Cost Ledger Account is added and an entry made in the Sales Journal, which is ruled as follows:—

Form 11.— SALES JOURNAL.

Date	Copy Invoice No.	Name	Particulars	Led. Ref.	Amount to be debited	Factored Goods							Contract Work						
						Tyres		Accessories	Petrol		Sundr's	Motor Cars	Cost Book Ref.	Time	Materials	Expenses added	Total Cost	Profit	Loss
						No.	Amount		Galls.	Amount									
					£ s d		£ s d	£ s d		£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

The *Sales Journal* is used to record sales of factored goods as well as contract work, and although this is not a lecture on the accounts of motor car dealers, yet it may not be inopportune to mention that the *number* of tyres and *quantity* of petrol should be recorded in both Sales and Purchase Journals, thus facilitating the balancing of the Stores Accounts.

As regards contract work, the amount charged the customer is entered in the "Amount to be debited" column, and posted to the Sales Ledger. The *cost* of time expended and materials used, as shown by the Cost Ledger, is entered in the respective columns provided, together with the oncost added.

Incidentally it may be mentioned that it is the custom to add a further percentage to the actual oncost, which amount is known only to the management, so that the office staff may not see the actual profit made on each job.

The total cost is then extended and the profit or loss on each job shown.

To now review the system described, we find, *firstly*, that all time spent by the workmen has been charged up to various accounts in the Cost Ledger, such accounts consisting of Jobs for Customers, Unchargeable Time, Time and Materials on Additions and Repairs, Car Hire, &c. *Secondly*, that all materials used have been recorded in the *Materials Issued Book* (or *Summary*) and charged up in the Cost Ledger in a similar manner. *Thirdly*, that *Completed Jobs* for customers have been transferred through the Sales Journal to the debit of the customer after adding oncost and profit. *Lastly*, that the only balances remaining in the Cost Ledger are those recording Time and Materials on uncompleted work, Repairs, New Cars, &c.

These balances are extracted, and, with the exception of Uncompleted Work for customers, the Cost Ledger Accounts are ruled off, the transfer to the financial books being made as explained later.

A *Work in Progress Account* can now be prepared to test the clerical accuracy of the postings made into the Cost Ledgers during the month, and to show how the various items are brought into and reconciled with the financial books.

It must always be remembered that the Cost Books are subsidiary books, and the Work in Progress Account is the turnstile through which the items find their way into the financial books. This Work in Progress Account is as follows:—

Form 12.— WORK IN PROGRESS ACCOUNT for Month ending.....190..

			Time	Materials				Time	Materials
			£ s d	£ s d				£ s d	£ s d
190..	To Time and Materials on Work in Progress at beginning of Month	C.			190..	By Cost of Completed Work as per Sales Journal	P.		
	" Wages paid	N.L.				" Repairs to Plant	Jnl.		
	" Materials used as per Materials Day Book	N.L.				" Additions ditto	"		
	" Materials charged direct ..	N.L.				" Unchargeable Time	"		
	" Direct Payments	N.L.				" Car Hire	"		
						" New Cars..	"		
						&c. &c.			
						" Uncompleted Work as per list chargeable to Customers ..	C.		
		£					£		
190..	To Time and Materials on Work in Progress	C.							

Two columns are provided for Time and Materials. The first entry shows the *time and materials on uncompleted work* at the commencement of the month.

The *Wages* are transferred from the Nominal Ledger Account, to which the amount paid is posted each week from the Cash Book, all of which sum has been charged to the various Cost Accounts through the Time Summary Book.

The *Materials used*, the total of which is obtained from the Materials Issued Book or Summary, are credited to Stores Account in the Nominal Ledger.

The *Materials charged direct* are credited to the Nominal Ledger Account so headed, the debit of which has come from the Purchase Journal. *Direct Payments* have been posted from the Cash Book to the debit of a Direct Payments Account, so this amount is transferred.

Therefore all the debits in the Work in Progress Account have been credited to some Nominal Ledger Account, the particulars being obtained from the Cost Books.

The first entry on the credit side gives the cost of time and materials on completed jobs as shown by the Sales Journal. This amount is debited to Trading Account. A journal entry is then made as follows:—

			Dr.	Cr.
			£ s d	£ s d
Sundries .. .. *Dr.*				
To *Work in Progress Account*.. ..		N.L.		
For Time and Materials on sundry jobs as per Cost Ledger transferred as follows:—	£ s d			
New Cars		N.L		
Additions to Plant		P.L.		
Repairs to ditto		N.L.		
Car Hire		"		
Unchargeable Time ..		"		
&c. &c.				
		£		

the various accounts in the financial books being debited and Work in Progress Account credited. The only accounts not ruled off in the Cost Ledger are those for Work on Uncompleted Jobs for Customers. A list is made of these, and the total credited to Work in Progress Account and brought down as a balance. This balance is the amount of work in progress at cost, to be treated as an asset on closing the financial books.

If the Cost Books have been correctly posted the Work in Progress Account must necessarily balance, the account corresponding to the Adjustment Account prepared when the Ledgers are self-balancing.

Assuming that the Work in Progress Account has been completed, we have now accomplished the first five of the six objects of the costing system previously mentioned.

This last is the preparation of the *Monthly Return* to show the progress of the business.

This return will be in two parts—viz., *Factored Sales* and *Contract Work*. On the present occasion we are only concerned with the latter.

Form 13.— CONTRACT WORK.

MONTHLY RETURN for Month ending.....190..

	£ s d	£ s d		£ s d	£ s d
To *Cost of Completed Work*:—			By *Sales and Work for Month charged to Customers*		
Wages					
Materials					
Direct Expenses					
" *Profit* as per Sales Journal £					
Less Loss					
Add Oncost Charged before arriving at above Profit					
To *Shop Charges*—estimated at			By Gross Profit brought down		
" *Establishment Expenses*—estimated at ..					
" *Net Trading Profit for Month*			" *Work in Progress*:—		
			Wages .. £		
			Materials £		
		£			£

The total amount charged to customers for work done (as per Sales Journal) is credited, and the cost of such work as shown by the Work in Progress Account debited. The balance, therefore, is the gross profit, which sum must agree with the total Profit (less loss) column in the Sales Journal after adding to the latter the oncost not debited above.

Against this profit has to be charged the estimated Shop Charges and Establishment Expenses, the balance being the net trading profit.

The final *Trading Account* will be prepared in similar form, the actual amount of Shop Charges and Establishment Expenses, as shown by the various accounts, being debited. Comparison can then be made, and the oncost to be added in the future adjusted, if necessary.

Thus by means of this system of costing the management are able at any time to refer to the cost of any particular job, and, in addition, they can ascertain each month the approximate net trading profit made and inquire into any leakage or shortage thus revealed.

The system is applicable, with slight alterations and modifications to any concern doing contract or jobbing work, and the clerical labour entailed is not heavy compared with the results obtainable.

Another advantage of the system is that it is applicable to small and large businesses alike, and therefore as the volume of trade increases the introduction of fresh methods becomes unnecessary.

Example II.—For our second example we will take the case of a tool manufacturer manufacturing a number of different articles—such as Twist Drills, Cutters, Hammers, Taps, &c.—each article undergoing a number of different processes, for which the workmen are paid by piece-work.

Goods will be made for stock as well as for customers' orders, and it is desired to ascertain not only the actual cost of each order, but also the cost of the labour on the various processes and of the materials used, whilst in addition the results must be so summarised that a *Monthly Return* can be prepared.

In this case the chief difficulty lies in the fact that the workmen are paid by piecework and obtain different rates for different classes of work.

It would be simple to assume for theoretical purposes that the rate was fixed and unchangeable, but little the use to here explain a method that would but seldom be possible in practice.

There is an old saying that "Difficulties only exist to be overcome," and it cannot be gainsaid that those which have to be met are better dealt with to-day than on the morrow, therefore we will take matters as they are, and try and wend our way through the labyrinth of complications, in the hope that we may reach the goal of a Work in Progress Account.

All orders when received will be numbered, filed, and entered in an *Orders Received Book* ruled as follows:—

Form 14.— ORDERS RECEIVED BOOK.

Date of Order	Order No.	Customer's Order No.	Customer's Name	Particulars of Goods ordered	Quantity	Rate	Date to be delivered	Date delivered	Date invoiced	Invoice No.	Remarks

A *Shop Order* will then be issued, the orders being contained in carbon duplicate books, and printed on thin cardboard. When the job is finally completed the Shop Order will be returned to the office and ticked off with the Orders Received Book.

Form 15.— SHOP ORDER. Order No.....

TO BE RETURNED WITH GOODS.

Date Issued	Process	Quantity	SPECIFICATION	Deliver by	Date Delivered	Wasters	Certified by	How Dealt with

REVERSE SIDE

PROCESS	Designation	MATERIALS USED	MEMORANDA
Smiths	S		Goods finally received completed } .....
Turning	T		Despatched per .....
Drilling	D		Invoiced to .....
Milling	M		
Hardening and Marking ..	H		
Glazing and Grinding	G		
Bench Work	B		

(*To be continued.*)

Manchester Statistical Society.

Appreciation of Municipal Assets.

By Francis G. Burton, F.S.A.A.

A paper read before members of the above Society on January 23rd 1907.

The subject which I venture to bring under your notice this evening is so complicated by political and sociological considerations, by altruistic aspirations, by modern forms of combination, that it is difficult to divest it of these extraneous factors, and to deal with it merely as a question of value. Nor do the definitions which economists give us materially assist in the divesting process. Mr. W. A. S. Hewins says: "Economics, as we "understand it, is the science which investigates the "manner in which nations or other larger or smaller com-"munities, and their individual members, obtain food, "clothing, shelter, and whatever else is considered "desirable or necessary for the maintenance and improve-"ment of the conditions of life. It is thus the study of the "life of communities with special reference to one side of "their activity. It necessarily involves the scientific "examination of the structure and organisation of the com-"munity or communities in question; their history, their "customs, laws, and institutions; and the relations "between their members, in so far as they are affected by "this department of their activity. At the root of all "economic investigation lies the conception of the "standard of life of the community. By this expression we "do not mean an ideal mode of living, but the habits and "requirements of life generally current in a community or "grade of society at a given period." Now it will be seen that this definition contains much more than we have before us at the moment, and that if we are to confine ourselves to an examination of the value of collective property, we must to a large extent ignore "the conception of the standard of life of the community." Perhaps we cannot do so entirely, for the "standard of life" at any given period must of necessity affect the value of some descriptions of property, whilst leaving unchanged, or practically unchanged, the value of many others. But beyond this, the definition also reminds us of the more reasoned analysis which expresses wealth as consisting of all consumable utilities which require labour for their production and can be appropriated and exchanged; bearing in mind that certain personal advantages, such as a good ear for music, are personal to their possessor and incapable of exchange; whilst others, such as sunlight, are neither the product of labour nor capable of appropriation and exchange, and therefore are not usually classed as economic utilities. I must ask your forbearance for reminding you of these very elementary propositions, but I do so because there are, unfortunately, popular fallacies which confound, in one fell muddle, wealth and exchange value, national progress and individual increment, production and consumption, without properly considering that these various aspects of economics demand individual consideration and sometimes different methods of examination.

Nor, when we come to a mere question of value, are we altogether out of the wood. As you know, the determination of the word has not yet been agreed upon by political economists; whilst wealth—that is, "consumable utilities"—may increase or decrease in exchange value by mere transference from one place to another, or from one set of conditions to another. Setting aside the simple example of the Crusoe, who, on his desert island, finds his bag of gold of less utility than a cask of pork, it is only necessary to remember the improvements in roads and other means of transport during the last half century, and the effect it has had on prices of agricultural and other products, to see how change of environment may increase wealth whilst reducing the representation in money. "But roads are only an example of a kind of wealth which "every community is constantly adding without adding to "its valued assets. Every citizen who does any reclama-"tion or improvement of a permanent character, and "hands the new property over to the enjoyment of the "general community, adds wealth of this sort. Indeed, the "task of a municipality is very much that of rearranging "the environment of its citizens, and surrounding them "with healthy and pleasant conditions, within which they "may grow and develop in freedom."—(Dr. Smart.) The value, however, which we have under consideration is not strictly value as defined by any of the economists, but the value placed upon municipal assets in the municipal Balance Sheets, and the possible appreciation of such value by lapse of time or change of conditions. This is a question which should be considered with respect to individual appropriations, and under present conditions; and it should also be approached in the same manner as a business man, of ordinary intelligence and prudence, considers his Balance Sheet. For municipalities have accumulated, for the benefit of the citizens, property which they value in their Balance Sheets at certain money values, and it is in reference to the values so affixed that we have to consider the present or future increment.

The bookkeeper's or valuer's estimate of an asset may be of five kinds:—

(a) The price paid for its purchase, or the cost of the material, labour, and superintendence employed in its erection.

(*b*) The anticipated price which would be obtained on the sale in an open market—that is, as between a free seller and a free purchaser.

(*c*) The capitalisation of increased revenue arising from the development of a revenue-earning plant or property.

(*d*) The increased value of the property over its first cost, after lapse of time, due to the appreciation of surrounding property, and general increase in wealth of the community. Such an alteration in a Balance Sheet is only safe and prudent when—

(1) The property is of such a character that it can be placed in the market for sale, in which case it falls under (*b*); or

(2) When the increased revenue derived from it under improved conditions of environment is such as to yield the original rate of interest on the additional capital, in which case it falls under (*c*).

(*e*) The price at which similar property can be obtained, under conditions of free purchase and sale, in an open market at present time, which is a similar estimate to (*b*), but taken from a purchaser's point of view.

It is on these five kinds of estimate, or on some of them, that we must base our present valuation of municipal assets, and our anticipations of the future appreciation or depreciation thereof. That we may better understand the application of the various methods, and the effect they have, or ought to have, on the treatment of municipal financial operations, it is desirable that a concrete corporation should be taken as an example; and no better example can be taken than our own city of Manchester. The Treasurer's Accounts are well printed, and at least as clearly expressed as Government accounts in general; they have been exhaustively audited for some years past by various professional accountants of the highest standing in the city; and the City Council has not been phenomenally prodigal in the promotion of new activities which may, more or less, involve a burden upon the ratepayer, whilst apparently increasing his share in the capital fund of the city. That we may the better follow this example, I have annexed hereto (page 84) a copy of the assets' side of the Manchester Aggregate Balance Sheet at 31st March 1906, taken from the very complete and valuable "Abstract of the Treasurer's Accounts," which is published annually.

I think, however, it will be found more convenient for our present purpose to divide this assets side of the Balance Sheet into groups which are more or less related to each other, and to which similar conditions of gain or loss will apply. I have therefore prepared a table which will afford a present working basis, although I must confess that it is both imperfect and incomplete. I have omitted shillings and pence in this table, but with this exception the eighth column agrees with column 18 of the City Treasurer's Balance Sheet.

The fourth, fifth, sixth, and seventh columns are compiled from the detailed Balance Sheets given in the body of the book of Treasurer's Accounts, reference to the pages of which will be found in the Aggregate Balance Sheet, and they exhibit the effect of the quinquennial valuation at 31st March 1906 on such of the accounts as are subject to it. The seventh column agrees with the twelfth column of the Aggregate Balance Sheet (Land, Buildings, &c.).

On page 796 of the Abstract of the City Treasurer's Accounts for the year ending 31st March 1906 will be found the professional auditors' abstract of the results of the quinquennial valuation. Taking only the differences on balances, they find that capital values are reduced by £663,702, whilst the increases amount to £97,460, leaving a net reduction of £566,242.

Before discussing the general question of periodical valuations, which may possibly be open to serious objection both on financial and political grounds, we may consider the method of appropriation of the differences in the departmental accounts. The largest increase is in the markets valuation, the Balance Sheet for which department will be found at page 225 of the Treasurer's Abstract for the year 1906. The assets' side is arranged in columns respectively headed:—

(1) Amount at 31st March 1905.

(2) Add Payments, 1905-6.

(3) Total.

(4) Add increase as ascertained by quinquennial valuation, 1906.

(5) Deduct decrease as ascertained by quinquennial valuation, 1906.

(6) Quinquennial valuation, 31st March 1906.

It is apparent that when these columns exhibit an increase in the sixth over the third column, some compensating entry must be provided on the liability side. The amounts there detailed as due to loan and stockholders, Treasurer, and sundry creditors amount to £426,822; after which follows an omnibus item, headed "Surplus and Sinking Fund." For the year under notice this is made up as under:—

Amount at March 1905	£592,454
Add Liquidation of Debt	6,722
„ Surplus Income	6,704
	605,880
Deduct Amount applied in aid of Rates ..	11,000
	594,880
Net Increase, as ascertained by Quinquennial Valuation	59,025
	£653,905

From this it would appear that the Markets Committee have contributed to the relief of the rates £4,296 more than the amount of the surplus income of the department, and that they have been enabled to do this by a re-valuation of their fixed assets: that is, they have been enabled to assist Revenue at the expense of Capital. It is true that the surplus income is arrived at after payment of interest and annual liquidation of debt; but it must be remembered that this interest, and this annual liquidation, is a first charge upon the revenue, and must be satisfied before there is any net revenue for other purposes. The position may better be understood from that of the private owner of an estate, purchased at a price of £10,000 repayable in twenty years by equal annual payments of £500. The income is £700, so that his surplus income is £200 per annum—for the moment we may ignore interest. If in any one year, without any prospect of sale, or even intention of sale, he called in an appraiser who valued the estate at £11,000 would he be financially justified in spending £1,200 as his net income from his estate during that year, or, indeed, could he do so without obtaining the £1,000 from some other source?

One of the largest items of decrease is in the City Improvements Account, namely, £101,587. This is debited to an account termed "City Improvements Summary Cost Account," page 303 of the Treasurer's Abstract. The account is debited with—

The expenditure to 31st March 1905;
The net expenditure during the year;
The difference in valuation as above;

and credited with—

The income for the year and the transfer from the City Fund Account towards the liquidation of loan debt, the balance being carried to the Departmental Balance Sheet.

Now, I wish particularly to draw attention to the wording in the Balance Sheet; it is "Balance arising from "Expenditure on Streets and Bridges, in respect of which "there has not been any valuation made, and from differ-"ence in valuation of vacant and surplus lands, to be "provided for out of the City Rate—per Summary Cost "Account," £1,128,416. This, with the cost of redeeming Consolidated Stock, is carried to the Aggregate Balance Sheet, column 19, as an expenditure to be provided out of the rates. But the interesting point is that, so far as can be gathered from the wording, the Corporation pays more for the land and buildings they acquire for city improvements than those acquisitions are afterwards worth in the opinion of its own valuers. Probably much of this discrepancy may be due to the vagaries of arbitrators, but it is a factor to be reckoned with, so long as the law and practice of arbitrations remain as at present.

I have no means available for arriving at the principles or data upon which these quinquennial valuations are made, but there can be little doubt that they are based upon sound and actuarial valuations. It is, however, a grave question whether, apart from calculations, they are rightly applied to such property as a corporation possesses, and under such conditions of ownership as apply thereto. This may be considered in relation to the various groups into which I have divided the assets; but before examining the groups it will, perhaps, be pertinent to ask whether five years is a sufficient period to elapse between the purchase, construction, or improvement of land and property and the revaluation thereof for capital purposes. That land in particular districts does increase or decrease in value is an undoubted fact, and this variation may, and does, arise from sundry causes, some of which are permanent and others ephemeral in operation. Short-lived variations will correct themselves, and should not be regarded in such an estimate. No sane owner of an Oldham mill would, in his Balance Sheet, increase the value of his mill, which he did not intend to sell, because, during a boom, other mills were being built around him, for the land and erection of which abnormal prices were being paid. He knows full well that the boom will pass, and speculative values once more resume their normal range. Such periods of temporary appreciation or depression, however, sometimes extend over longer periods than is usually recognised, and are at times so obscure in their causes and succession as to afford a perplexing problem even to the most expert and best informed observers. One of the witnesses called before the Lords' Select Committee on the Bill for the Amendment of the Companies Acts was Mr. Mellors, an accountant and estate agent of extensive experience and acknowledged ability, in Nottingham. At a meeting of the Committee on the 17th July 1896 the late Earl of Leven and Melville inquired of him, what would be the effect of stating in a published Balance Sheet the temporary market value of bills held by a company, instead of their face-value, in the event of a panic like Overend and Gurney's Black Friday. Mr. Mellors replied, "There is no need to "limit it to bills; it will apply to real estate. In Notting-"ham we have had a depression for ten years, from 1884 to "1894. During that ten years, if real estate had had to be "re-valued, it would have had to be valued at 30 per cent. "lower than either now or previously to the time I have "named. Then, with regard to machinery; during seasons "of depression of trade machinery goes for what is com-"monly called 'an old song'; so that there is no question "that it would be very difficult to publish a Balance Sheet "in such times in which the exact market value of the "assets was given fairly; and it would be a hardship upon "a company to compel it to write down its assets in that "way." It is thus evident, from the actual business

experience of an eminent accountant and land agent, that it is possible for land to depreciate even to the extent of 30 per cent. of its primary value, and afterwards to revert to its original price; and during the period of such depression two quinquennial valuations would be made. The changes are not, however, always in the way of loss, but may for a time present an increase, but an increase which will pass away with altered conditions or diverging trade, exactly as the depression in the Nottingham real property market passed. We have thus to face the danger of a gain at one quinquennial valuation which, within the next five or ten years, may not only be lost again, but even turned into an adverse balance. Is there any necessity, or even any reason, for so juggling with a Corporation Balance Sheet, when we would shrink, and rightly shrink, from doing so with our own?

The question of time is important in these alterations of the Corporate Balance Sheet, but it is still more important to determine whether they are justified within any appreciable period, say within a generation, and, if so, what circumstances or change of conditions will warrant them. It is well to remember in this connection the distinction between taxes and payment for services, which we may term service revenue. "A tax is a compulsory contribution of "the wealth of a person or body of persons for the service "of the public powers." It is true that Mr. Edwin Cannan says: "Whether the gross revenue of the Post Office is "called a tax or not does not strike me as being a very "important question. The State revenues, which are "always called taxes, do not appear to me to be divided by "any sharp line from those which are never called taxes. ". . . Whether a particular form of revenue is called a "tax or not is only a question of degree." This, however, appears a dangerous theorem to apply to corporation rates, which are local taxes. It is a blurring of the distinction which should be maintained between "compulsory contribution" by all, or by the majority, for the service of the local authority; and payment to that authority for specific services rendered to specific individuals, and which payments it can enforce only in exchange for such services. Local authorities have certain monopoly trading powers, which they exercise, more or less wisely, for the benefit of the whole community. Any profit there may be is for the benefit of all; any loss sustained has to be made good by the contributions of all. But it is only the balance of the account which affects taxation; the chief portion of the departmental trading revenue is a purchase by individuals for benefits they covet, and for which they are, at the moment, willing to forego some other benefit. The power of the State, and of the local authorities as lieutenants of the State, to inflict taxation to the utmost limit required for the safety of the whole community, no one will deny; but this very power renders it the more necessary that there should be no mingling of accounts of such taxation with the payments made by a portion only of the people for special benefits purchased by them individually.

Turning to the table on p. 335, we find Group 1 comprises Police Stations, Fire Stations, and Weights and Measures Capital. The first item on the Police Stations Capital Account is Albert Street, on which the amount to 31st March 1905 is given at £31,364. This is increased by £1,158 at the quinquennial valuation, bringing it up to £32,522. A marginal note gives the "Outlay" on this property at £13,294, so that unless there is some astonishing ambiguity in the method of stating the accounts, the actual cost of this police station has been increased by £19,228, or over 144 per cent., by bookkeeping entries and quinquennial valuations. To revert to the five points of the bookkeeper's or valuer's estimate, the outlay amount, £13,294, probably corresponds with the Method A, but it is difficult to see under which of the other methods the present increased valuation can be justified. The Balance Sheet of a Corporation is, or ought to be, a statement which will exhibit a true and correct view of the state of the Corporation affairs, such as a prudent and skilful man would prepare for his own business. Into such a view the Method B cannot enter, for there is neither present intention, nor probable future intention, of selling the police station; it is there for the use of the municipal police, and will continue to be kept for such use so long as the police—or their employers, the Watch Committee—may require it. For such property there is no open market, for one of the parties to such market is absent —there is no free seller; nor are there any reasonable grounds for supposing that any desiring purchaser could obtain compulsory powers to secure the premises by payment of a price fixed by arbitration. The ownership is a monopoly ownership—a monopoly for the good of the citizens in general, it is quite true—and the disadvantages thereof must be incurred along with the advantages. The Method C will not apply, as this is not a revenue-earning asset; and E is open to much the same class of objection as B, as there is no open market, in the sense of a free vendor and free vendee, in case of a purchase of this kind. Similar property is not wanted, or not likely to be wanted; and if it were, it would be acquired by compulsory powers, from which the element of freedom would be manifestly absent. There remains only the Method D to justify the increase, and as this is the form which appeals most forcibly to the average Demos, it is worthy of a little examination.

I wish to avoid unnecessary appeals to the economists, of whose perspicacity I admit I have a wholesome fear; but there is one of their maxims which at this point it is especially desirable to remember, namely, "that as value is the ratio "of exchange between two or more commodities, there "cannot be a general rise or fall in values." Now, what is the cause of this limited variation in ratio between com-

modities? As business men, you know that, apart from currency troubles, it arises either from increase in demand or reduction in supply, from the unstable equilibrium of the particular market. Variation, advance, retrogression, are movements which are incompatible with absolute, or relatively absolute, fixity of tenure in the commodities. Increased demand for cotton goods, other factors being equal, creates increased profits in the textile trade, with a resulting movement of capital into it. And from this follows an advance in the exchange value of land suitable for cotton mills and weaving sheds; and later on in existing offices, or in sites suitable for the erection of offices. But this later advance in value, this appreciation of land and buildings, only arises through their possession of potential commercial movement, from the willingness and ability of the owners to facilitate their conversion into the required conditions. If a man possessed a plot of land in Trafford Park, on which he had erected an iron warehouse, and if he declared, and adhered to, his intention to retain it in that condition, and so use it, there would be no true appreciation in it, even though land around it were going up in value twenty or a hundred per cent. He might be taxed on an increased assessment, and to that extent he would be an actual loser, but so long as he retained, and obstinately determined to retain, the land in his own possession, to use it for the same purpose, and without any increased utility, there could not be to him any appreciation of value. He gave a certain sum ten years ago for it; he thereby took it out of the market, and keeps it out; he locks it up for his own limited purposes, as a miser locks gold in his chest, and he must pay the miser's penalty of no increase in his store.

Now I submit that this is exactly the position of a Corporation with respect to group 1 of my table (p. 335). There is no increased utility in the police or fire stations (any little extra accommodation being charged year by year in the Expenditure Accounts); and whilst land and buildings all round are becoming more valuable, and exchanging at higher prices, these are kept out of the market like the gold in the miser's chest. The community is becoming richer, but this increased wealth does not, or should not, reflect itself in increased exchange value in commune property which is deliberately and absolutely kept out of the exchange market. The increase of municipal assets by an increase in the amount of a quinquennial valuation, quite apart from, and in excess of, any expenditure on such assets, appears to be misleading bookkeeping, which induces the average citizen to imagine the commune richer than it really is, and which, in many instances, flatters him with a fictitious increase in the amounts of the "Surplus and Sinking Funds."

In reality the matter is of more importance than appears from the summary in the auditor's report, because only balances on quinquennial valuations are there given, instead of the respective increases and decreases on each account. Thus, in this matter of police stations the increase is given by the auditors at £1,103 15s. 6d.; but on turning to the Departmental Balance Sheet (p. 181), the increase by the last quinquennial valuation is found to be £6,085, and the decreases £4,981 4s. 6d., the difference being the "net increase" transferred to the Surplus and Sinking Fund, and this is the amount quoted by the auditors. If we separate these two sides of the valuation results throughout the whole of the aggregate Balance Sheet we obtain a gross increase of £265,258, and a gross decrease of £829,771. The question of decreases may be dealt with later, but please consider the effect of adding over a quarter of a million sterling in five years to the valuation of fixed assets which can no more obtain exchange gain than can the miser's hoard; since, like it, they are taken out of the general market and locked up in the unyielding possession of the present owner. It may possibly be said that the services rendered by the officials are yearly of greater benefit to the community, and that thus the beneficial occupation of the buildings is advanced; but this seems (at all events for the greater number of the groups) an unsound extension of the Method C. Just as, to obtain a true financial survey, it appears needful to distinguish between taxation and other revenue, so it seems necessary to distinguish between the value of land and buildings and the value of the services rendered by the people who occupy them. A merchant or bill-broker may double his annual profits without increasing the size or equipment of his offices; surely he would not consider that the increase in his revenue arising from the skill and industry of himself and his staff added anything to the capital or annual value of the premises which he occupied.

When it is remembered that out of about 30 million sterling of assets in the Manchester City Accounts over 22½ millions is owing on Loans, Stocks, and Water Annuity Fund; that the Corporation, like most Corporations, is always in the market for fresh loans; that the "Balance being Surplus and Sinking Fund" has been nominally increased by these quinquennial valuations, not the last one only, but former ones; it will be evident that the additions are not merely errors in bookkeeping, flattering to the vanity of the citizens and their representatives, but that they appeal also to the cupidity and feeling of security of future investors.

Groups 2 and 3 present much the same conditions as Number 1, but the variations during the past five years have been chiefly reductions. There cannot, however, be any greater reason for advancing the estimate of cleansing land, buildings, and machinery, valuable though the benefits conferred by the Department undoubtedly are, than there is for increasing the estimate for police stations, from which, also, emanate other precious services. In Group 4 we meet with one of the difficulties which arise in municipal finance when

it is contaminated with these re-valuations. In the Sanitary Capital Account, Sudell Street, Part 3, we find an entry, which may be analysed as under:—

Land Purchased from Improvement Committee	£1,225
Outlay to 31st March 1905	3,547
Further Outlay, 1905 to 1906	9,659
	14,431
Add Increase, as per Quinquennial Valuation March 1906	22,835
	£37,266

Now, apart from the enormous increase (which is over £8,000 greater than the actual expenditure), it would seem that, taking the figures as justifiable, the Sanitary Committee must have had an uncommonly good bargain at the expense of the Improvement Committee. Of course, there may be a very simple explanation of this seeming anomaly, and in any case it does not prejudice the ratepayers directly, as they have to provide funds alike for sanitation and improvements. In the same group will be found a line for markets, the increase in which is £68,187. Markets, being a revenue-earning asset, may come under Method C—"The capitalisa-"tion of increased revenue arising from the development of a "revenue-earning plant or property." Now, turning to the Income and Expenditure Account, p. 216 of the Treasurer's Abstract, we find the net revenue (that is, income less cost of administration) is £27,810. The total value of the assets at March 1905, plus expenditure for the 12 months to March 1906, is £1,014,585, which, at 3 per cent., requires an income of £30,435. It is, therefore, difficult to see on what grounds the new and increased valuation has been made. That the markets afford the Corporation officials convenient opportunity for supervising the food coming into the city, and thus of rendering to the citizens services which no Revenue Account can represent, is true; but surely these good things are like the protection of the police—that s, services rendered by the employees of the Corporation, and not resulting from the land and buildings where they are performed. Take away the human element, and these good things will disappear; and it does, therefore, seem doubtful finance to increase the valuation of fixed assets, and transfer such increase to a Surplus and Sinking Fund, merely because the officials have been zealous, and have successfully discharged their onerous duties.

Group 7 happily represents features which, it is to be hoped, may in the future become still further accentuated. The increase in the Parks and Recreation Grounds appears to be largely the result of generous free gifts to the city, and is, therefore, a legitimate addition to the amounts actually spent out of the citizens' contributions through the rates. But, apart from such gifts, it seems difficult to imagine any defensible increase in such property beyond their actual, original, and possibly improvement cost. The parks, &c., are not in the market, will apparently never be in the market, any more than police courts or town halls; they are not revenue-earning, and although they might cost more to purchase now than at the original time, they can hardly be valued under Method E, since it is difficult to conceive a free market. The Free Libraries Capital Account, however, presents the same objectionable features as appear in Group 1 and others. Deansgate Branch Library stands at £12,805 at March 1905, although, according to a marginal note, the outlay was only £11,543, and yet this valuation is increased in 1906 by £858. The same applies to Blackley Branch Library and Institute, to the extent of £2,140; and to Moss Side, to the extent of £873. On the other hand, the Reference Library appears very much below the price for which it has been sold, but the marginal note and the columns are utterly inexplicable without access to the Treasurer's detailed accounts.

It is unnecessary to consider Group 8 in detail. As the Education Department is not a profit-yielding department, any quinquennial valuation will be subject to the same conditions as Group 1, and the increases made would therefore appear to be of doubtful expediency.

One specious reply may be advanced against this reasoning. The increases at the last quinquennial valuation are £265,258, but the decreases are no less than £829,771. But are these decreases properly treated on a valuation basis, or are they amounts which should more properly be dealt with year by year as revenue expenditure? I do not propose to enter upon the much-vexed question of Depreciation, an item which is, alas, too often imperfectly dealt with in joint-stock companies, as well as in municipal and county accounts; but I do think that great care should be exercised to ensure that the losses of any one year are charged against that year, and are not carried forward to any future period. I have already referred to the Improvement Capital Account, and it seems a grave question whether sufficient provision is made at the time the improvements are undertaken for the loss which will necessarily be incurred in their execution. Again, in Group 4, Hospitals Capital, the assets after the quinquennial valuation amount to £159,592. The marginal note says:—

Total Outlay	£73,530
Transfers on Incorporation, valued at ..	72,991
	£146,431

so that, after a professedly large reduction in value during the five years, the hospitals are still valued at £13,161 more than their cost to the city. Such an anomaly appears almost incredible, but apparently it is the only deduction to be made from the accounts, and it displays very forcibly the dangerous use to which these periodical valuations may be put if ever a municipality were captured by unscrupulous administrators. We have few instances in England, either

in companies or local administrations, of the financial operation known in America as "watering stock," but accounts like these lend themselves to it if the ethical code should become impaired. The matter may be further illustrated by a summary of the appreciation by groups, divided into revenue-earning and non-revenue-earning groups :—

Group		Revenue Earning	Non-Revenue Earning
		£	£
1	Police and Fire Stations, &c. ..	..	10,061
2	Highways and Rivers Capital ..	..	5,885
3	Sewerage and Cleansing	..	47,237
4	Sanitation, Markets, & Burial Board	77,457	40,535
5	Town Hall, Halls, Baths and Washhouses, &c.	..	7,872
6	Withington	..	286
7	Parks and Libraries	..	62,067
8	Education	..	13,858
			187,801
			77,457
			£265,258

I know that I have treated an important subject in a crude and imperfect manner, but I shall accomplish much of my object if I induce the members of this learned Society to think over and investigate these financial problems, which threaten to become of overwhelming importance in the near future. Power—indeed, ultimately supreme power—has been entrusted to a democracy which is more frequently swayed by emotion than scientific investigation; and it is therefore important that the leaders of the people, the players on the human emotions, should be careful that in invoking these transient forces they are not crushing out more important ones. Do not, I beg, think I am quibbling at mere bookkeeping; the widow and the orphan often depend for their food and raiment upon the stability of our local loans, and if assets are over-estimated, or profits taken in advance, this stability will be endangered.

You will notice that the quinquennial valuation does not affect Group 9, which comprises what may be termed the trading ventures, neither has it been applied to the Ship Canal Loan. Such departments as these raise questions altogether different in character to those involved in the ordinary real estate of the Corporation; and require, for their proper treatment, an analysis of their Revenue Accounts rather than their capital expenditure and assets. The involved disputes as to sinking funds and depreciation reserves come very largely into these trading concerns, and may possibly affect the amounts paid to, or drawn from, general revenue to equalise the Profit and Loss Accounts; but as these vexed questions are not dealt with in this paper, it is sufficiently gratifying to find that there has been no increase in the trading capital assets by revaluation. The amounts involved are, however, so vast that the investigation is one which, I hope, will be taken in hand very shortly by some more competent member of the Society.

I have selected the City of Manchester Accounts for examples, not out of any desire to disparage Manchester finance, but because it is convenient to have concrete figures to deal with. The arguments will apply to any local administration in the country, and the dangers of revaluations will be greater in many places, where there has been reckless expenditure, than in our own city. Yet even here the danger appears great if we look to the two sides of the aggregate Balance Sheet. The total assets, as at present valued, are 30 millions sterling; the amount owing on Loans, Stock, and Water Annuity Fund, over 22½ millions. We are not so rich as citizens, apart from the limitless power of taxation, as we sometimes fondly imagine we are.

These local authorities' accounts are professedly published for the information of business men and the guidance of investors, and they should, therefore, be prepared on sound business lines, so as to exhibit a true and correct view of the state of the municipalities' affairs. Unless, therefore, there is some defect in my arguments, all real property (land and buildings), being taken by the municipality out of the open market, and being, therefore, free from the fluctuations of such market, should be valued in the Balance Sheets at actual cost of purchase, plus superintendence, labour, and material in erection of buildings.

Quinquennial valuations are, in any case, too short a period in which to correctly estimate the trend of the market, and they therefore produce unnecessary and misleading appreciations and reductions. If revaluations are permissible, they should be separated by much longer periods of time.

In the case of rapidly deteriorating properties, such as schools, &c., the depreciation should be estimated at the time of erection in accordance with the expected life of the building, and the annual waste shown in each year's accounts. By this means the true cost of the Department would be known annually, but as this involves the question of Depreciation, I can only commend it to your future consideration. I only refer here to depreciation on fast-wasting buildings; the land on which they are erected will not lose in value, although the erections may wear out.

It must also be remembered that the value spoken of is exchange value as ordinarily understood by sound and prudent business men. The wealth of the community may increase; it is a flowing stream ever being consumed and reproduced; but the atoms of that stream only gain or lose in their value of exchange between themselves according to their conformity or otherwise to the general flow. The possessions of public bodies are removed from some of the dangers of the flow; they do not lose by being stranded, but neither do they gain anything, for they have parted, as far as possible, with their mobility. Wealth increases, and wealth is taxable for the benefit of all, but it is well to remember that every increase in municipal activity, which probably removes something from the area of exchangeable possessions, reduces also the remaining balance of taxable wealth. It may possibly be a wise and prudent step to kill the goose, but we must remember that thereafter we get no golden eggs. And if we do the killing, at least let it be with our eyes open, and with the same straightforward estimate of transactions as we have hitherto applied to our own individualistic businesses.

Corporation of Manchester Aggregate Balance Sheet, 31st March 1906

10 Account	11 Page of Departmental Balance Sheet	Assets: 12 Land, Buildings, &c.	13 Stocks in hand	14 Investments	15 Bankers	16 Treasurer	17 Sundry Debtors	18 Total Assets	19 Balance, being Deficiency or Net Expenditure to be provided out of Rates	20 Grand Total
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
City Fund Revenue	177	..	101,076 18 4	988,255 0 0	119,829 17 8	2,819 17 5	478,481 15 5	1,690,463 8 10	..	1,690,463 8 10
Police Stations Capital	181	115,376 0 0	..	..	11,839 19 6	..	6,000 0 0	133,215 19 6	..	133,215 19 6
Fire Stations Capital	187	163,035 0 0	..	..	6,076 2 0	..	..	169,111 2 0	..	169,111 2 0
Weights and Measures Capital	189	9,349 0 0	..	..	584 14 4	..	..	9,933 14 4	*1,566 5 8*	11,500 0 0
Public Sanitary Conveniences Capital	191	30,385 0 0	..	..	..	..	..	30,385 0 0	..	30,385 0 0
Sanitary Capital	199	407,116 0 0	..	..	..	..	..	407,116 0 0	..	407,116 0 0
Hospitals Capital	203	159,592 0 0	..	..	..	..	..	159,592 0 0	..	159,592 0 0
Markets	225	1,073,610 0 0	2,000 0 0	..	2,611 10 6	..	2,504 11 8	1,080,726 2 2	..	1,080,726 2 2
Parks and Recreation Grounds Capital	243	768,237 0 0	..	..	..	..	..	768,237 0 0	..	768,237 0 0
Burial Board Capital	245	161,560 0 0	..	10,990 19 6	4,465 0 5	..	157 10 0	177,173 9 11	..	177,173 9 11
Free Libraries Capital	251	175,141 0 0	..	25,000 0 0	1,000 0 0	..	136,415 0 0	337,556 0 0	..	337,556 0 0
Polling Stations Capital	253	1,808 0 0	..	..	..	..	..	1,808 0 0	..	1,808 0 0
Consolidated Stock Premium	253	..	..	27,831 10 5	..	..	..	27,831 10 5	..	27,831 10 5
County Compensation Capital	257	..	..	..	..	..	..	..	*32,482 11 1*	32,482 11 1
City Extension Compensation Capital	259	..	..	..	..	..	..	..	*60,775 3 11*	60,775 3 11
Exchequer Contribution	267	..	..	..	..	..	5,783 1 11	5,783 1 11	..	5,783 1 11
Suspense	269	..	..	..	70 15 5	..	14 14 0	85 9 5	..	85 9 5
Improvement Capital	305	674,803 0 0	..	467 5 0	25,228 8 10	..	13,553 8 0	714,052 1 10	*1,142,216 7 2*	1,856,268 9 0
Highways and Sewers Capital	311	90,179 0 0	..	..	..	..	..	90,179 0 0	*47,381 11 8*	137,560 11 8
Paving	317	..	..	..	..	..	74,662 9 3	74,662 9 3	..	74,662 9 3
Rivers Capital	319	264 0 0	..	..	948 18 7	..	..	1,212 18 7	*7,585 16 2*	8,798 14 9
Sewerage and Sewage Disposal Capital	331	557,755 0 0	..	225 14 4	5,150 15 5	..	36,524 3 5	599,655 13 2	*562,360 3 9*	1,162,015 16 11
Cleansing Capital	339	562,365 0 0	62,814 5 2	..	3,570 0 1	..	..	628,749 5 3	..	628,749 5 3
Town Hall and City Courts Capital	341	958,225 0 0	..	..	41,703 10 5	..	..	999,928 10 5	..	999,928 10 5
Public Halls Capital	343	43,344 0 0	..	..	672 0 0	..	..	44,016 0 0	..	44,016 0 0
Baths and Wash-houses Capital	349	212,692 0 0	..	..	..	..	..	212,692 0 0	..	212,692 0 0
Cheetham Public Hall Capital	351	4,070 0 0	..	..	..	..	..	4,070 0 0	..	4,070 0 0
Art Gallery Capital	353	212,395 6 0	..	..	2,151 12 11	..	..	214,546 18 11	..	214,546 18 11
Withington Paving	357	..	..	..	5,654 7 6	..	22,674 3 4	28,328 10 10	*368 1 6*	28,696 12 4
Withington Capital	357	21,657 0 0	440 0 0	931 18 11	..	..	..	23,028 18 11	*25,027 5 9*	48,056 4 8
Royal Infirmary Improvement Capital	365	300,000 0 0	..	..	..	..	..	300,000 0 0	*111,170 9 10*	411,170 9 10
Higher Education Revenue	385	..	..	..	2,054 13 4	..	1,859 1 10	3,913 15 2	*2,461 14 1*	6,375 9 3
Higher Education, Teachers' Superannuation	387	..	..	..	31 19 9	..	..	31 19 9	..	31 19 9
Higher Education Stores	387	..	310 17 3	..	..	..	60 5 0	371 2 3	..	371 2 3
Higher Education Capital	391	548,868 0 0	..	10,194 14 10	..	..	..	559,062 14 10	..	559,062 14 10
Elementary Education Revenue	401	..	..	..	47,572 5 11	..	25,992 4 9	73,564 10 8	..	73,564 10 8
Elementary Education, Teachers' Superannuation	403	..	..	..	2,645 9 11	..	..	2,645 9 11	..	2,645 9 11
Elementary Education Stores	407	..	3,967 14 8	..	..	..	6,066 0 11	10,033 15 7	..	10,033 15 7
Elementary Education Capital	413	699,965 0 0	..	..	7,396 0 1	..	..	707,361 0 1	..	707,361 0 1
		7,951,791 6 0	170,609 15 5	1,063,897 3 0	291,258 2 7	2,819 17 5	810,748 9 6	10,291,124 13 11	*1,993,395 10 7*	1,284,520 4 6
Gas	437	2,591,635 4 7	109,334 9 10	..	..	4,176 0 1	161,549 0 5	2,866,694 14 11	..	2,866,694 14 11
Electricity	465	2,295,999 12 7	42,329 3 6	20,857 12 5	9,204 4 6	1,231 16 6	67,445 6 11	2,437,067 16 5	..	2,437,067 16 5
Waterworks—Revenue	473	..	67,493 0 0	..	..	..	55,311 7 8	122,804 7 8	*70,442 5 9*	193,246 13 5
" Capital	479	6,976,958 12 5	..	..	138,454 7 10	..	..	7,115,413 0 3	..	7,115,413 0 3
Tramways	497	1,702,251 12 7	82,867 12 8	..	17,234 18 8	9,349 7 11	48,576 7 4	1,860,279 19 2	..	1,860,279 19 2
		21,518,636 8 2	472,634 1 5	1,084,754 15 5	456,151 13 7	17,577 1 11	1,143,630 11 10	24,693,384 12 4	*2,063,837 16 4*	26,757,222 8 8
Manchester Ship Canal Loan	503	..	..	5,000,000 0 0	..	..	..	5,000,000 0 0	*50,759 19 7*	5,050,759 19 7
Canal Interest and Guarantee	507	..	..	245,256 4 9	20,142 8 11	..	42,104 13 10	307,503 7 6	*108,578 11 11*	416,081 19 5
	£	21,518,636 8 2	472,634 1 5	6,330,011 0 2	476,294 2 6	17,577 1 11	1,185,735 5 8	30,000,887 19 10	*2,223,176 7 10*	32,224,064 7 8

CORPORATION OF MANCHESTER ASSETS.

Compiled from the Aggregate Balance Sheet of the City at 31st March 1906 (Shillings and Pence omitted).

1	2	3	4	5	6	7	8
Page in Abstract of Accounts	Group	Account	Total Land and Buildings per Detailed Accounts	Add Increase as ascertained by Quinquennial Valuation, 1906	Deduct Decrease as ascertained by Quinquennial Valuation, 1906	Quinquennial Valuation, 31st March 1906	Total Assets per Aggregate Balance Sheet, including Stocks, Investments, Bankers and Sundry Debtors
			£	£	£	£	£
181	1	Police Stations Capital	114,272	6,085	4,981	115,376	133,216
187		Fire Stations Capital	167,506	3,976	8,447	163,035	169,111
188		Weights and Measures Capital	10,964	..	1,615	9,349	9,934
305	2	Improvement Capital	776,390	..	101,587	674,803	714,052
311		Highways and Sewers Capital	85,578	5,730	1,129	90,179	90,179
317		Paving	..	..	..	..	74,662
319		Rivers Capital	109	155	..	264	1,213
331	3	Sewerage and Sewage Disposal Capital	594,832	..	37,077	557,755	599,656
339		Cleansing Capital	573,033	47,237	57,905	562,365	628,749
199	4	Sanitary Capital	405,456	40,128	38,468	407,116	407,116
191		Public Conveniences Capital	29,978	407	..	30,385	30,385
203		Hospitals Capital	199,430	..	39,838	159,592	159,592
225		Markets	1,014,585	68,187	9,162	1,073,610	1,080,726
245		Burial Board Capital	171,976	9,270	19,686	161,560	177,173
341	5	Town Hall and City Courts Capital	1,016,945	2	58,722	958,225	999,929
253		Polling Stations Capital	..	1,808	..	1,808	1,808
343		Public Halls Capital	43,824	1,154	1,634	43,344	44,016
349		Baths and Washhouses Capital	214,725	4,334	6,367	212,692	212,692
351		Cheetham Public Hall Capital	4,176	..	106	4,070	4,070
353		Art Gallery Capital	211,821	574	..	212,395	214,547
365		Royal Infirmary Improvement Capital	412,569	..	112,569	300,000	300,000
357	6	Withington Paving	..	..	..	..	28,329
357		Withington Capital	28,538	286	6,727	22,097	23,029
243	7	Parks and Recreation Grounds Capital	821,688	27,144	80,575	768,237	768,237
251		Free Libraries Capital	147,009	34,923	6,791	175,141	337,556
385	8	Higher Education Revenue	..	..	..	..	3,914
387		Higher Education Teachers' Superannuation	..	..	..	..	32
387		Higher Education Stores	..	..	..	..	371
391		Higher Education Capital	550,635	10,608	12,375	548,868	559,063
401		Elementary Education Revenue	..	..	..	..	73,565
403		Elementary Education Teachers' Superannuation	..	..	..	..	2,645
407		Elementary Education Stores	..	..	..	..	10,034
413		Elementary Education Capital	920,725	3,250	224,010	699,965	707,361
437	9	Gas	..	..	..	..	2,866,695
465		Electricity	..	..	..	..	2,437,068
473		Waterworks Revenue	..	..	..	..	122,804
479		Waterworks Capital	..	..	..	..	7,115,413
497		Tramways	..	..	..	..	1,860,280
503	10	Manchester Ship Canal Loan	..	..	..	..	5,000,000
507		Canal Interest and Guarantee	..	..	..	..	307,503
253		Consolidated Stock Premium	..	..	..	..	27,831
267		Exchequer Contribution	..	..	..	..	5,783
269		Suspense	..	..	..	..	86
			8,516,744	265,258	829,771	7,952,231	28,310,425
		City Fund Revenue	..	..	..	..	1,690,463
							£30,000,888

£440 "Stocks in hand" included in Withington capital.

Discussion.

Mr. A. H. Scott, M.P., moving the vote of thanks to the reader of the paper, criticised his remarks on the markets, and, with regard to the reference library, the statement that it appeared at very much less than what it had been sold for. Certainly it did, and that applied to all the buildings the Corporation sold. He agreed entirely with the paper as to the parks valuation. He thought all municipalities should reduce those assets at the earliest possible date. They were not assets in the strict sense of the word. With regard to the buildings, he should be very sorry to believe that there was not a true record kept of their value. He thought in the Corporation's accounts the assets were well provided for.

Mr. Birdsall, in seconding, defended the system of accounts criticised, and urged that the Corporation was right in raising the value of sites and buildings on the basis of the increase in value of contiguous property. As long as the Corporation depreciated its property fairly and honestly as it appreciated it, then its assets stood on a fair basis.

Mr. J. R. Corbett disagreed with the paper, and the Chairman said he thought Mr. Burton's central idea was that because some buildings had no exchange value, there

fore they had no value at all (Mr. Burton dissented). He thought Mr. Burton had failed to take into account that in all these quinquennial valuations—assuming probability and skill in the valuer—the properties did represent real social value, and a value that could be estimated.

Mr. S. W. Royse considered the ideas in the paper impracticable. He maintained that the assets of the Corporation were very greatly in excess of the money they owed.

Mr. John Elliott, the Salford Borough Treasurer, also opposed the arguments of Mr. Burton. He said the latter had taken the wrong Corporation to give an illustration of over-borrowing as against assets; if they sold their tramways, electricity, gas, and water, they would get thirty millions for their twenty millions. They need not be anxious about the poor investor. The people who were opposed to municipal trading wanted to get hold of the assets the Corporation had got.

Amid laughter, Sir Thomas Shann said he would be glad if the Corporation would sell the Victoria Buildings at cost price. Later he supported Mr. Burton, and said there was no increase of revenue from some property of the Corporation. It paid no rent at all. Mr. Scott had spoken of the increased value of the market and the property near, and that he could make money on selling them. He would not if the markets were taken away; the property would go down.

Mr. Burton disclaimed any intention of attacking Manchester more than any other corporation. He thought in Manchester and in neighbouring places they could boast of a prudent financial control which was absent in many places. He had purposely refrained from touching the subject of municipal trading. He did not impugn the valuations in any way.

The Chartered Accountants' Chess Club.

It is particularly requested that all Chartered Accountants (or, of course, articled clerks) desiring to become members of this Club should forward their names to Mr. H. J. Snowden, A.C.A., St. Michael's House, Basinghall Street, E.C., so that they may have a personal notice of the general meeting, to be held in September or October next, sent them.

It may be mentioned that the number of members is rapidly rising, and includes the names of several well-known chess players. It is not the intention to have a club-room until the commencement of next season, but two or three atches will be arranged to be played shortly.

The Chartered Accountants' Golf Club.

1st Round.

D. Hill, Junr.,	beat	H. A. Booty	by 1 up
W. W. Read	,,	D. F. Basden	,, 4 & 2
A. D. Barber	,,	T. M. Till	,, 8 & 6
J. W. Barber	,,	E. Cooper	,, 4 & 2
D. Forde	,,	A. Goddard	
H. F. Turner	,,	G. Dixey	
E. J. Husey	,,	A. Taylor	,, 4 & 3
M. Jenks	,,	C. F. Burton	
A. H. King Farlow	w.o.	H. W. D. Soper	scratched
L. G. Oldfield	beat	Sir J. G. Craggs	at 19th hole
H. Wingfield	,,	J. Gordon	,, 20th hole
E. C. Brown	,,	G. M. Robinson	by 8 & 6
J. Harris	,,	F. W. Pixley	,, 6 & 5
H. Kidson, Junr.	,,	G. M. Gilbert	,, 5 & 3
A. H. Heap	w.o.	A. O. Miles	scratched
S. P. Derbyshire	beat	W. F. Mapleston	by 5 & 3
J. Lordan	w.o.	J. G. Fowler	scratched
C. H. Champness	beat	T. D. Cocke	at 19th hole
J. Ford	,,	A. G. West	
A. J. Kelleway	,,	J. G. Harris	by 3 & 2

2nd Round

D. Hill, Junr.	beat	R. S. Bain	by 5 & 3
J. Harris	,,	E. C. Brown	at 19th hole
A. P. Ford	,,	V. Manley	

Meetings for the ensuing Week.

Tuesday—Birmingham Chartered Accountant Students' Society.—Lecture, "Some Points Relating to Probate and Letters of Administration," by Mr. Wyndham H. Malins, B.A., Solicitor. Meeting preceded by tea at 6 o'clock, at the Chartered Accountants' Library, 8 Newhall Street.

Wednesday—London Chartered Accountant Students Society.—Prize Essay, "The Audit of Small Trading Concerns in cases where there is practically no Internal Check," at the Hall of the Institute, Moorgate Place, E.C.; 6 p.m.

Kingston-upon-Hull Chartered Accountants Students' Society.—Lecture, "Accounts of Professional Men," by Mr. M. Webster Jenkinson, A.C.A., at the Hall of the Incorporated Law Society, Bowlalley Lane; 7.45 p.m.

Leicester Chartered Accountants Students' Society.—Lecture, "Branch Shop Accounts," by Mr. C. H. Spencer, A.C.A., at Winchester House, 1 Welford Road; 7 p.m.

Institute of Directors.—Paper, "The Measurement of Expired Outlay on Productive Plant; a plea for the Study and Use of better Methods," by Mr. P. D. Leake, F.C.A., F.I.D., at the Institute, 4 Corbet Court, Gracechurch Street, E.C.; 3 p.m.

Thursday—LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION. — Lecture, "Municipal Corporation Accounts," by Mr. W. A. Caldwell, at the Library, 3 Lord Street; 6 p.m.

GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Annual Meeting at the Accountants' Hall, 218 St. Vincent Street; 8 p.m.

Personal.

MESSRS. GEO. F. CLARKE & Co., Chartered Accountants, of 67 Lord Street Liverpool, and at Earlestown, have taken into partnership Mr. WILMOT WELCH, late with Messrs. BOURNER, BULLOCK & Co., Chartered Accountants, of Hanley, Staffordshire. The firm will be known in future as G. F. CLARKE, WELCH & Co.

MR. W. H. PANNELL, J.P., F.C.A., one of the four representatives of the City of London on the London County Council, is, we believe, the only Chartered Accountant who is a member of that body.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Mar. 1st, was 160, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 82; Deeds of Arrangement registered, 78. The respective numbers in the corresponding week of last year were: Bankruptcies, 98; Deeds of Arrangement, 78—total, 176; being a decrease of 16. The total number of commercial failures recorded during the 9 weeks of the present year is 1,363; the total number recorded in the corresponding 9 weeks of last year was 1,505, showing a decrease of 142.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Mar. 1st, was 171. The number in the corresponding week of last year was 152, showing an increase of 19. The total number filed during the 9 weeks of the present year is 1,309; the total number filed in the corresponding 9 weeks of last year was 1,386, showing a decrease of 77.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Mar. 1st, amounted to £3,250,337, by way of addition to £2,387,847, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,339,951, showing an increase of £1,910,386. The total amount registered during the 9 weeks of the present year is £16,639,799 (in addition to the issues in previous years by the same companies), as compared with £13,542,286 for the corresponding 9 weeks in 1906, showing an increase of £3,097,513.

The Profession in Scotland.

Society of Accountants in Edinburgh.

THE report by the President and Council of the above Society, submitted to the annual general meeting, was as follows:—

The President and Council beg to make the following report to the members on the proceedings of the past year:—

The new arrangements connected with the library referred to in last report have worked satisfactorily, and there has been a marked increase in the use made of the library by the members and apprentices.

The Evening Classes for apprentices have been continued as formerly, and they have been attended by a large number of apprentices.

As usual, a course of lectures has been arranged jointly with the Institute of Bankers in Scotland, to be given in the Hall during February. The subject of the next course is "The Law of Agency," and the lecturer is Professor Gloag, of Glasgow University.

A special general meeting of the Society was held on 27th April, at which the following was adopted as a resolution of the Society: "The Society is of opinion that no "member should permit, or be a party to the use, by any "firm of which he is a partner, of the designation 'Chartered "Accountants,' or the letters 'C. A.,' unless all the partners "of the firm are Chartered Accountants."

A special general meeting was also held on 20th July 1906, at which seven gentlemen were admitted members of the Society.

The report of the General Examining Board for the past year has been issued. The usual statements showing the result of the examination of candidates connected with this Society, the number of members and apprentices of the Society at the close of the year, and an abstract of the accounts for 1906, are appended hereto.

Abstract of Treasurer's Intromissions for the Year ending 31st December 1906.

Charge		£	s	d
1. Funds at 31st December 1905 (exclusive of the value of Heritable Property, No. 27 Queen Street, and the Furniture, Books, and Pictures of the Society therein):—				
£2,000 2½% Consolidated Stock at cost		1,797	6	0
£650 4½% Debenture Stock of the Great Central Railway Company at cost		1,047	1	0
£750 4% Consolidated Preference No. 1 Stock of the North British Railway Company at cost		1,105	7	3
£1,000 Canadian Government 4% Stock—redeemable 1907—at cost		1,035	1	0
£750 Transvaal Government 3% Guaranteed Stock at cost		745	9	8
		5,730	4	11
Deduct Balance at Debit of Current Account with British Linen Company Bank, *less* Cash in hands of Treasurer		154	2	9
		5,576	2	2
2. Entrance Fees from 17 New Members, admitted February and July 1906	£1,785 0 0			
3. Library Subscriptions from Apprentices ..	4 4 0			
4. Fees for Registration of Indentures	44 2 0			
5. Interest on Investments, &c.	165 4 2			
6. Rent payable by Institute of Bankers, £100, and Rent of back premises, £25	125 0 0			
7. Proportion of Net Sales of "History of Accounting" for year	5 19 0			
Sum of Receipts		2,129	9	2
		£7,705	11	4

Discharge.		£	s	d
1. Payments to the Endowment and Annuity Fund Trustees, being one-half of the Entrance Fees received from 17 New Members		892	10	0
2. Expenses in connection with Examinations—				
Treasurer of General Examining Board, proportion of net outlay for year to 31st December 1906, payable by this Society	£90 14 0			
Sundry Expenses at the Examinations in Edinburgh	8 18 6			
		99	12	6
3. Special Expenditure—				
Grant to Accountants' Company, Q.R.V.B., R.S.	10 10 0			
Grant to Students' Society for Prizes in Essay Competition	9 9 0			
		19	19	0
4. Feu-duties, Taxes, Insurance, Furnishings, and Repairs for 27 Queen Street		82	12	1
5. Outlay in Wages, Coal, Gas, Newspapers, &c., for 27 Queen Street, £198 16s. 1d., whereof repayable by Institute of Bankers, £99 8s.		99	8	1
6. Corporation Duty		15	16	10
7. Expenses of Management—				
Salary to Secretary and Treasurer for 1906	£200 0 0			
Auditor's Fee for 1906 Accounts	10 10 0			
Salary to Librarian for 1906..	90 0 0			
Printing, Stationery, &c.	63 6 5			
Share of cost of Official Directory.. ..	26 3 8			
Travelling Expenses	15 7 3			
Legal Expenses..	27 18 3			
		433	5	7
8. Books Purchased for Library and Binding		117	10	3
9. Fees for Evening Classes and Lectures at 27 Queen Street, £103 13s. 6d., *less* Fees received from Students, £45 13s. 6d.		58	0	0
10. Portrait of President		210	0	0
11. Cost of Fireproof Room and two additional Bookcases..		133	7	10
Sum of Payments		2,162	2	2
12. Funds at 31st December 1906 (exclusive of the value of Heritable Property, No. 27 Queen Street, and the Furniture, Books, and Pictures of the Society therein)—				
£2,000 2½% Consolidated Stock at cost..	£1,797 6 0			
£650 4½% Debenture Stock of the Great Central Railway Company at cost ..	1,047 1 0			
£750 4% Consolidated Preference No. 1 Stock of the North British Railway Company at cost	1,105 7 3			
£1,000 Canadian Government 4% Stock —redeemable 1907—at cost	1,035 1 0			
£750 Transvaal Government 3% Guaranteed Stock at cost..	745 9 8			
	5,730 4 11			
Deduct Balance at Debit of Current Account with British Linen Company Bank..	186 15 9			
		5,543	9	2
		£7,705	11	4

Edinburgh, 18*th January* 1907.—Having examined the Account of the Intromissions of Mr. Richard Brown, C.A., as Treasurer to the Society of Accountants in Edinburgh, for the year ending 31st December 1906, of which the above is an Abstract, I beg to report that I have found it correctly stated and sufficiently vouched. I have also examined the Security Writs for the Invested Funds, and have found them in order.

Edward Boyd, C.A. *Auditor.*

Statement of the Number of Members and Apprentices of the Society at 31st December 1906.

Members.

The number of original members of the Society was			62
Deaths and resignations from 1854 to 31st December 1905	59		
Do. during current year ..	0		
			59
Leaving			3
Members admitted since 1854 to 31st December 1905..		517	
Do. during current year		17	
		534	
Deaths, resignations, &c., up to 31st December 1905	91		
Do. during current year ..	13		
		104	
			430
Total membership of the Society at 31st December 1906			433

Apprentices.

Indentures recorded in the books of the Society to 31st December 1905		961
Do. during current year ..		42
Total Indentures recorded .		1,003
Deduct—		
Indentures cancelled before completion, or of which no discharge has been recorded though expired for more than *two* years ..	172	
Indentures of gentlemen who have not passed the Final Examination, although the Indentures have expired for more than *two* years and been discharged	94	
Indentures of gentlemen who have become members of the Society	519	
Indentures of gentlemen who have passed the Final Examination but have not yet been elected members	30	
		815
Leaving		188
Being—		
Indentures, which expired during 1905 and 1906, of gentlemen who have not yet passed the Final Examination	30	
Indentures current at 31st December 1906 ..	158	
		188

General Examining Board of the Chartered Accountants of Scotland.

THE following is an abstract of the Treasurer's Accounts for the year ending 31st December 1906:—

Revenue.

	£	s	d	£	s	d
Examination Fees				529	4	0
Interest from Bank				2	16	2
Balance received from the three Societies, in proportion to their membership, in terms of the Joint Agreement:						
Society of Accountants in Edinburgh	90	14	0			
Institute of Accountants and Actuaries in Glasgow	105	0	5			
Society of Accountants in Aberdeen	10	14	9			
				206	9	2
				£738	9	4

Expenditure.

	£	s	d	£	s	d
Examination Expenses—						
1. Examiners' Fees	488	5	0			
2. Stationery	22	11	0			
3. Printing	41	14	2			
4. Advertising	16	16	7			
5. Miscellaneous (postage, &c.)..	19	4	6			
				588	11	3
Expenses of Management—						
1. Salary to Secretary and Treasurer	126	0	0			
2. Expenses of Members attending Board Meetings ..	23	18	1			
				149	18	1
				£738	9	4

Glasgow, 9th January 1907.—Examined and found correct.

ALEXANDER SLOAN, C.A., *Auditor.*

The Bankruptcy Procedure Reform Movement.

Mr. Gustave G. Wiesener, the secretary, submitted the annual report on the 27th ult. to the annual meeting of the Scottish Wholesale Merchants' Society in Glasgow. It bore that the officers of the Society attended 231 meetings of creditors, and issued 14,000 reports to members of the Society. These reports gave a full explanation of the cause of the failure and information relative to the various debtors' affairs. The Society had been very active during the last year in connection with the alteration of bankruptcy law, especially in the direction of having official supervision over trust deeds for creditors, the principal point to be kept in view in all cases being that the trustee under a trust deed should not be, as at present, generally nominated by the bankrupt, but be appointed by a majority of votes of the creditors on an estate, and that a committee of creditors should fix the fees in all cases to be paid to the trustee, and generally supervise the trustee's administration in trust estates. The Society had also during the past year used its influence in bringing before the Procurator-Fiscal cases of fraudulent bankruptcy.

The Chairman, in moving the adoption of the report, expressed disappointment that the wholesale trade generally took very little interest in legislative matters. In these days of increased competition travellers had to be employed whose anxiety to do business frequently exceeded their caution in selecting trustworthy customers. It was, therefore, desirable that the law of the country should give that protection to the wholesale traders they needed. The Society was determined to bring the weak points of the bankruptcy law before the public and before the Government by framing a petition, and, if necessary, to invite a number of prominent men in the wholesale trade to form a deputation to interview the Secretary for Scotland.

Mr. James Allan seconded. The Secretary stated that the lack of interest shown by most of the creditors in anything pertaining to bankruptcy law was extraordinary. At the present time the selection of a trustee on trust estates was

causing a good deal of dissatisfaction. In most cases the trustees were appointed by the bankrupt, who naturally selected someone not over-anxious to investigate.

The Law of Agency.

In the rooms, 27 Queen Street, Edinburgh, on the 26th ult., Mr. W. M. Gloag, Professor of Law in the University of Glasgow, delivered the fourth and concluding lecture of the course on "The Law of Agency," under the joint auspices of the Institute of Bankers in Scotland and the Society of Accountants in Edinburgh. Professor Gloag dealt with the liability of an agent on contracts entered into on behalf of his principal, and with the rules under which an agent might incur liability if he represented that he had authority when he had not; with the law of election, and with the termination of the contract between agent and principal. On the motion of the chairman, Mr. F. Carter, C.A., Professor Gloag was awarded a cordial vote of thanks.

Scottish Insolvencies.

For the week ending 2nd March the number of insolvencies reported in Scotland was 20, as compared with 27 in the corresponding week of last year. The trust deeds numbered 9, as compared with 14; the sequestrations 6, as compared with 7; and the petitions for cessio 5, as compared with 6. The total for the nine weeks of the year is 239, as compared with 223 last year—the trust deeds numbering 119 against 102, the sequestrations 43 against 57, and the petitions for cessio 77 against 64. Of the 9 trust deeds reported during the week, 2 were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 29 for the nine weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

JORDAN & SONS, LIM., of 120 Chancery Lane, announce that the 27th edition of "A Handy Book on the Formation, Management, and Winding Up of Joint Stock Companies," by Messrs. F. Gore-Browne, K.C., and William Jordan is now ready. The book has been thoroughly revised and brought up to date, and the new edition will consist of 60 pages of preliminary matter and 758 pages of text and index, making together 818 pages. Although so largely increased in bulk, the price will be the same as hitherto, viz., 5s. net.

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LAW REPORTS.

The Accountant.

TELEPHONE No. 7321 CENTRAL. 34 MOORGATE STREET, LONDON, E.C.

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

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(See page vii.)

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Leading Articles.

The Increase of Chartered Accountants.

UNDER the above heading, our contemporary *The Accountants' Magazine*, of Edinburgh, deals with the question of competition between English and Scottish Chartered Accountants. It begins by expressing the solemn opinion that any artificial restrictions placed upon the numbers of those who may be trained for a profession are undesirable, and savour of trade unionism. The ordinary

rule of supply and demand should, our contemporary thinks, be left to regulate the matter, and the profession should be in all respects free and open to those who are willing to acquire the qualifications. These are not the views that have always characterised the policy of Edinburgh Chartered Accountants; but we may point out that just as there may be an artificial restriction of output, so on the other hand may there be such a thing as artificial over-production, and that is what we have complained of. It is hardly likely to be seriously contended that there is enough accountancy work in Scotland to support the steadily increasing number of Scottish Chartered Accountants, for if any such sufficiency existed there would not be a steadily increasing exodus of those who have recently qualified. If, on the other hand, it be suggested that there is, over the whole world, a deficiency of skilled accountants, and that the Scottish Societies are most generously giving of their best to supply this deficiency, we may point out that the training suitable for a Scottish Chartered Accountant is not necessarily—and in point of fact is not—the training most suitable for practitioners outside of Scotland. Therefore, the shortage (if there be any) of skilled accountants outside Scotland is not provided for in a satisfactory manner by the over-production of Scottish Chartered Accountants.

Doubtless, however, our contemporary fully appreciates the fatuity of its own argument, or it would not spoil a good case by over-elaboration. Having first of all asserted that the profession should be in all respects free and open to those who are willing to acquire the qualifications, it goes on to say that Edinburgh Chartered Accountants average only one apprentice to every eleven members, whereas English Chartered Accountants average one to every ten, and Glasgow Chartered Accountants one to every six members. This is quite in accordance with Edinburgh traditions, with whom free trade is consistently accounted as summarising all the virtues so long as it does not cut into their own preserves. At the same time it is clear, upon our contemporary's own figures, that our case against Glasgow is abundantly substantiated.

The figures given with regard to the increase of membership in the three Institutes confirm our view. During the past ten years it is stated that the membership of the Edinburgh Society has increased at the rate of 5·28 per cent. per annum, but the membership of the English Institute has increased during the same period at the rate of 6·42 per cent., and the membership of the Glasgow Institute at an average rate of 8·5 per cent. If further support to our assertions were required it is provided by our contemporary in its concluding paragraph, where it is stated that the requirements connected with entry into an apprenticeship in Glasgow are easier to comply with than in Edinburgh or in London, and the figures given point to the probability of an excess in the supply of Chartered Accountants in Glasgow a few years hence should the present conditions continue. Our contemporary need, however, we think, have no fear as to an excess in Glasgow. That, indeed, is the last thing that is likely, for the surplus always comes south of the border. Thus, in the Aberdeen Society 19 members are in practice outside Aberdeen, as against 31 practising in that city. Against 317 Glasgow Chartered Accountants practising in Glasgow, there are 189 outside, and as against 271 members

of the Edinburgh Society practising in Edinburgh and Leith there are 165 who have had to establish themselves outside the radius covered by the Society's Charter. In contrast with these figures, it may be mentioned that in June 1906 there were 191 English Chartered Accountants practising or resident outside of England and Wales, against 3,301 inside the territorial limits of the Institute's Charter.

From these figures it is so clear as to be beyond argument that a very large number of young men join the profession through the Glasgow Institute, because the conditions there obtaining are easier to comply with, with the deliberate intention of using the qualification which that Institute is able to give as a ground for posing as an expert accountant in other countries where very different conditions obtain. It is all very well for our contemporary to say that the medium in which the accountant works—namely, figures—is alike everywhere, and that consequently, apart from any difficulties connected with the language of the country, the keeping of books of account, and the framing and checking of Balance Sheets and other statements are easily within the compass of any qualified accountant, wherever he may have been brought up. It is, apparently, overlooked in the first place that some of the Scottish methods of keeping accounts are elsewhere regarded as decidedly peculiar, while the mere suggestion that it is within the compass of any qualified accountant to adapt himself to a foreign environment gives away the whole case. Our point is not that a Scottish Chartered Accountant is not capable of becoming a qualified accountant in any part of the world to which he may go, but that until the further and necessary qualifications have been acquired he ought not to pose as a qualified accountant, because by so doing he is really sailing under false colours. Our contemporary suggests that accountancy is in this respect somewhat like the medical profession, and that as a medical man who has obtained his degree in Edinburgh is well qualified to practise his profession in any part of the world, so it should be with the Chartered Accountant. We do not propose to discuss the value of the Edinburgh "M.D.," which is, of course, beside the point. We may suggest, however, that no prudent medical man would feel himself qualified to practise medicine in a foreign climate without first of all giving himself a little time to settle down and study his new environment. The analogy of the solicitor or barrister is, however, really closer. In a sense a lawyer is a lawyer all the world over, and a man who has thoroughly grounded in one school would not take very long to familiarise himself with an entirely different system of jurisprudence; but at the same time he certainly ought not to try to acquire that experience at his client's expense. Lawyers are, of course, prohibited from doing so, because in every country lawyers make the law, and so make it as to protect their own interests. The point is really of equal importance in both the legal and accountancy professions, but the Legislature has not hitherto appreciated its importance to the same extent. It would, however, be entirely inaccurate to say that all persons qualified to practise medicine in their own country are entitled to practise it here. The position is different with regard to accountants, because as a matter of law anyone is free to represent himself as being an accountant, and to practise, provided he can find anyone sufficiently foolish to become his client.

The London County Council Accounts.

WE have no intention of departing from our usual practice of abstaining from all participation in the discussion of political questions, but there is at least one feature in connection with the success of the Municipal Reform party at the recent London County Council election that may—or at all events ought to be—dealt with strictly as a matter of business, and not as a question of politics.

Our readers will hardly require to be reminded that for many months past representatives of the party that is now in power have, both at the Council meetings and outside, lost no opportunity of asserting that the accounts of the Council, as at present framed, are unreliable, in that they afford no true impression as to the position of affairs in each of the various departments of the Council's activities. These assertions have been persistently repudiated by the Progressives, and it is safe to say that at the present time no one, except possibly a few of the officials in the employ of the Council, know what to believe.

The Municipal Reform party is, however, taking over control, and owing to the defective system that always obtains in connection with public accounts it will, to a large extent, have to deal in its accounts for next year with transactions for which its predecessors are responsible. Under all circumstances there can, it seems to us, be no doubt whatever as to the great importance of a thorough investigation being made of the Council's accounts, so that all interested parties may be able to learn how matters stood when the Municipal Reformers assumed control. Up to the present no adequate statement of accounts has ever been presented; there has never been any proper audit, in the true sense of the term; and there have been persistent accusations of jugglery with figures, which even in the interests of the Progressives should be sifted to the bottom, so that the true facts may be ascertained. It will be remembered that on the eve of election the Council appointed a Committee to consider this very question; but a resolution passed under those conditions cannot, of course, be taken very seriously, in that it was obviously passed for effect, and not with the object of leading to any definite result.

The importance of a really thorough investigation being made of the Council's accounts now, for the first time in the course of its existence, is apparently duly appreciated by the leaders of the party; but, if one may judge by the utterances of the lay press, it seems by no means unlikely that through want of technical advice they may, at this early stage of their career, make a false step from which there would be practically no possibility of retreat. There is, we understand, more than a little danger that any such investigation of the accounts as may be decided upon will be entrusted to the permanent officials of the Council, in whom it is stated that the leaders of the party "have every confidence." We do not, of course, propose to say or suggest anything that could be regarded as an attempt to undermine a confidence that is obviously entirely justified. We may, however, point out that an audit conducted by the accounting parties is, in the nature of things, no audit at all; that whatever may have been done in the past has been done with the approval of the permanent officials, or they would not be still remaining

at their respective posts; and thus whatever questions of principle may be involved would naturally be regarded as settled points by the permanent officials, who have already in the past decided how these matters should be properly dealt with. It is not in reason to suppose that the permanent officials of the Council will now call in question any apportionment of Capital or Revenue expenditure inter-departmentally; nor, with the best wishes in the world, are they likely to be able to very materially improve upon a system of accounting which, it must be assumed, has been largely built up by them. What is clearly required under the circumstances is a little illumination from outside, new ideas, and an unbiased judgment upon numerous questions of principle, the proper decision of which is of immense pecuniary importance. It may be pointed out, moreover, that if the matter is to be gone into thoroughly it will still have to be discussed at some length, and that what all persons desirous of arriving at the truth require now is, not the mere assertions of a few officials but the deliberate statements of an independent expert, or, better still, of three such experts appointed to act together.

The matter is of the more importance, for unless the Municipal Reform party secures the aid of professional assistance it is clear, even to its best friends, that it runs no small risk of being dominated by the official view. The first step should be to obtain competent and unbiased outside assistance, with a view to ascertaining the exact position of the undertaking which it will henceforward control; and its next step should be an attitude of marked caution towards the system of control by officials, which is, after all, very largely responsible for the present state of affairs.

It has been stated in some quarters that there is a doubt whether the Council has power to spend money upon an independent professional audit. We have seen no reason put forward for this doubt, which, it seems to us, is entirely groundless; but even accepting the absurd proposition that it is *ultrâ vires* the Council to spend money in ascertaining its true financial position, and in organising its administration upon sound business lines, that ought not to be allowed to interfere with the pursuance of this most necessary inquiry. Party funds have been spent freely to secure victory at the elections. There must still presumably be some funds left that could be utilised with the object of making that victory productive instead of barren; while, on the other hand, judicious expenditure that has been surcharged on account of some technical irregularity is in point of fact invariably allowed by the Local Government Board, and failing such allowance might be readily sanctioned by the Legislature. It will, however, be time enough to consider such difficulties when they arise. The practical question at the moment is that no prudent business man would accept the managership of a business without first of all taking an account of how it stands when he takes over control. Obviously, the employees of the business cannot—unaided—prepare such a statement of account as will meet with the unquestioned acceptation of divers parties. An independent professional audit is thus a *sine qua non*. And to avoid all question as to political bias, and the like, it would be better that it should be undertaken not by one, but by three independent firms of Chartered Accountants; or, indeed, the number of firms employed might perhaps with advantage be increased, as in that way the work would be greatly expedited, without increasing the expense involved.

Weekly Notes.

An Accountant's Lien on Books. As supplementing the decision in *Burleigh v. Clark* given by Mr. Justice Joyce on the 2nd April 1901, it may be of interest to our readers to learn that in a case recently decided in Capetown, *Walker's Trustee v. Jones, Cornett & Bale* (2 S.C. 354), it was decided that accountants had not a lien on the books in question merely because they had read the books in order to prepare a statement, having put no actual work into the books themselves. The general conclusion would, we think, appear to be that an accountant auditing or making an investigation of books of account does not thereby acquire a lien on such books in respect of his charges, but that an accountant employed to actually write up the books does acquire such a lien on account of the work that he has put into them. It is not quite clear why the checking and ticking off of entries should be regarded as something entirely different from the more mechanical operation of making the entries, but the distinction has apparently been made in the Capetown Courts, and it seems not unlikely that a similar decision would be observed in this country.

The Star Life Assurance Society. The sixty-third annual meeting of the Star Life Assurance Society was held on the 6th inst., when a very satisfactory position of affairs was recorded. The new premium income for the year was £25,631, against £24,793 in 1905, interest earnings averaged £3 15s. 11d. per cent., against £3 14s. 4d., while the mortality experienced in 1906 was but 76·5 per cent. of the expectancy, and expenses had been reduced to 13·62 per cent. of the premium income.

Mr. Justice Darling and Jurors. Mr. Justice Darling made a statement a short time since which is of interest to all who may be summoned to serve upon a jury. His Lordship stated that when a man had been summoned to serve on a jury within a period of time during which he had been previously excused from serving by the Judge, the Sheriffs were not to blame, as they have no knowledge of the exemptions issued by the officers of the Court in consequence of the instructions of the Judges. The proper course for jurors who are summoned within a period over which they are granted exemption is, his Lordship said, to send that summons, together with the exemption certificate, to the Associate of the Court, and on receipt of the exemption certificate they would not be required to serve. It is no doubt satisfactory to know that in such cases the exemption of the Court may be made practically effective, but if more business-like systems obtained it should not be difficult to notify the Sheriff of all exemptions granted from time to time. They are certainly not so numerous that the additional work involved would be serious.

Dividends Paid in Shares. A question of some interest is raised by the letter signed "Beta," which appeared under the above heading in our Correspondence columns last week. Shortly stated, his query is whether, if a shareholder receives a dividend from a company and returns the endorsed dividend-warrant or cheque to that company as payment on calls due, it may be said that those calls have actually been paid in cash. Our impression is that there has been no such payment, for no cash seems to have passed between the parties. To make the transaction really safe it would unquestionably be better for the various shareholders to pay their respective dividend-warrants into their own banks, and to pay their calls by their own cheques. The transaction would thus be effective and binding, even although the cheques were actually exchanged for each other.

Surrenders of Shares and Divisible Profits. In reply to our correspondent "Dubious," whose letter appeared last week, it appears to us that, the agreed purchase consideration having been reduced by two thousand pounds, it is open to the directors to apply that sum in writing down the capital assets of the company in such proportions as they may think fit. If the company has made a clear profit on its trading, and its articles of association so permit, it would seem that a dividend might be legally paid out of those current profits. The question is, however, clearly one for counsel to advise upon before directors could act with safety.

Gas Companies: Capital v. Revenue. The letter signed "Articled Clerk," in our last issue, appears to have been written under a misunderstanding of the position. If a gas or water company lays down new mains, the cost thereof is normally capital expenditure. If the company, acting within its statutory powers,

makes a charge for laying down such mains, only the excess of the actual cost incurred over the charge could be capitalised. If, on the other hand, the charge made to the consumer exceeds the cost of laying down the mains—in itself a most unlikely event—the transaction becomes for all practical purposes a mere trading transaction in the supply of fittings, the profit on which may be credited to Revenue. Obviously, however, it would be improper to debit the expenditure to Capital and to credit the gross charge to Revenue.

Judicial Changes. The vacancy in the Court of Appeal created by the advancement of Lord Justice Cozen-Hardy has been filled by the promotion of Mr. Justice Kennedy, who has sat as a Judge in the King's Bench Division since his elevation to the Bench in the days of the last Liberal administration. There is nothing in the appointment to cause much excitement or enthusiasm, but we observe that one of our legal contemporaries appears to think that his Lordship will be a greater success in the Court of Appeal, as "he recovers confidence when he can share responsibility." Whether, however, the Court of Appeal can be said to be strengthened by exchanging Lord Justice Kennedy for the late Master of the Rolls is perhaps another question. The appointment of Mr. William Pickford, K.C., as Mr. Justice Kennedy's successor is, however, welcomed on all hands. Mr. Justice Pickford has occupied a foremost post at the Bar as a commercial lawyer, has been Recorder of Liverpool since 1904, and has acted as a Commissioner of Assize. The appointment has the further advantage of being entirely non-political.

Uniform Hospital Accounts. Our readers will be interested with the explanation given by Mr. John G. Griffiths, F.C.A., in our last issue, as to the reasons that induced him to retain in the Uniform Hospital Accounts a form of Income and Expenditure Account with the sides transposed. Apart, however, from questions of technicality or form, we may point out that there is a practical objection to an Income and Expenditure Account showing the income upon the debit and the expenditure upon the credit side, in that such an account would be liable to be confused with a Summarised Cash Statement, or Account of Receipts and Payments, which should be framed upon these lines. Doubtless the incorrect form was first used by hospitals because they knew no better. Now that they are giving sufficient attention to the matter to seek the services of professional accountants, it seems unfortunate that the opportunity should not have been taken of correcting an error which is analagous to, and just as bad as, an unnecessary mistake in grammar.

The Identification of Inscribed Stockholders. Although Mr. Justice Lawrence reserved judgment in the action brought by the Bank of England against Mr. William Spurgeon Cutler, a member of the London Stock Exchange, the point at issue should be noted, as it is somewhat unusual, raising as it does the question of a stockholder's liability in the event of a forged transfer. The facts, briefly, were: A. was the holder of certain India Three-and-a-half per Cent. Stock, and was at the time of the transfer personated by B. C. identified B. as A., and the stock was transferred. Action against C. to recover cost of replacing stock in name of A. The Bank did not allege negligence, or that the defendant did not believe that the person applying to transfer was the true holder of the stock. The full report should be studied with care, and the judgment will be awaited with the greatest interest by all business men.

Association of Chambers of Commerce. At the annual meeting, which extended over three days of last week, under the presidency of Sir William H. Holland, many of the resolutions were of more than ordinary interest. Mr. Lee's resolution, to the effect that the "constant and violent fluctuations" in the Bank Rate were injurious to trade and commerce, and when contrasted with the stability of the rate charged by the Bank of France pointed to the urgent necessity for reform of our financial system, was carried with the reference to the Bank of France omitted and the substitution of the word "frequent" for "constant and violent" before "fluctuations." Sir Albert Rollit urged the Government to introduce early legislation on the lines of the main recommendations of the recent Departmental Committee, and it was mentioned that the Government intended to bring in a Bill in substantial agreement with the Committee's report. Lord Avebury's Debenture Bill was approved, and the passing of the Registration of Firms Bill and the Limited Partnerships Bill recommended. A formal resolution on bankruptcy reform was carried, and the subject of national insurance on German lines approved. A resolution regretting that the recommendations of the Income Tax

Committee regarding a uniform allowance for depreciation on plant and machinery, and some allowance for depreciation on buildings, had not been adopted by the Government was declared carried, although an amendment to omit the reference to the uniform rate as being unworkable was put to the meeting.

"Futures" to be Barred. It is reported that the Leicester Chamber of Commerce seeks to make dealings in time bargains in raw materials penal on the ground that such contracts are against public policy. The Government is called upon to support any proposal, either national or international, having this object in view. It may be remembered that in the United States, as *The Solicitors' Journal* points out, speculative transactions of this class have been many times before the Courts, and the distinction separating legal from illegal contracts seems to be the question as to whether it was intended that the goods should actually pass. Contracts for the mere settling of differences are not only void, but have been severely censured, "because they tend to unsettle the natural "course of trade and tempt the parties to them to work "for a rise or fall in the prices of the commodities on "which their wagers are laid without regard to actual "values. . . ." It will be noted that the Leicester Chamber aims at making the participation in such contracts a criminal offence.

Lord Avebury's Debenture Reform Bill. The Bill introduced into the House of Lords by Lord Avebury has now been published, and contains only four clauses which need be mentioned. Perpetual and irredeemable provisions are to be valid; debentures paid off, redeemed, or otherwise acquired, may be reissued to rank *pari passu* with their class; and a contract to subscribe for debentures or debenture stock is to be specifically enforceable. Rather sweeping changes, but not of a very controversial character, with the exception of the reissue provision, about which much might be said. The fate of the measure will doubtless be watched with anxiety coupled with great interest.

Accumulations of Farthings. Apropos of a paragraph in our issue of 26th January, mentioning the accumulation of a sum of £1,500 odd in 1905, from the withholding of fractions of a penny in paying Government dividends, a correspondent thinks it may interest some of our readers to know of a more striking illustration, which he gives—viz., that the Act 45 & 46 Victoria, Chap. 72 (1882) was passed to adjust the accumulation of fractions of a penny, retained by the Bank of England from payments of interest of the National Debt by paying back to Exchequer £143,272 11s. 2d. This was as at 31st March 1882. It might be an interesting topic for research by some budding statistician to discover the amount of these "crumbs from the rich man's table" embraced in the interval of nearly a quarter of a century since.

Premium Bonds. In the first of a series of articles on the "Dangers of 'Premium Bonds,'" Mr. J. H. Loewe, F.C.I.S., in *The Financial News*, has some very interesting observations to make. It is pointed out, in the first place, that the bond, as its name implies, is the promise of a Government or municipality to repay a fully-guaranteed loan within a maximum period of time in a certain manner, and that so long as the Government or municipality is financially sound, it is on a par with "any other bond issued in England or elsewhere." Dealing with the lottery question, it is stated that the point as to legality arises out of the form of its redemption, for where there is a certainty of the stakes being irretrievably lost if the number be not drawn, the Lottery Act applies in this country. Passing, then, to the manner in which a premium bond business is often conducted, Mr. Loewe remarks that these bonds are quoted on every bourse, and every foreign or up-to-date English banker will carry out transactions in them. But where bonds are sold singly, or in batches, on the instalment system it is said to be essential that the conditions should be equitable. Among the objectionable practices of unscrupulous bond-mongers first place is given to the withholding of information which, if disclosed to the investor, may have influenced his decision. An instance of this is given in the case of an investment in 5 per cent. Suez Canal bonds, which are often stated to yield the investor a return of 5 per cent. in coupons of £1 each. This fact, together with the chance of the bond being redeemed at a premium of many thousands of pounds, usually decides the matter at once. But the unfortunate investor subsequently discovers that although the coupons for £1 each are duly attached to each £20 bond, the insurance premium, which, for his own protection, "he is compelled to pay," so as to

cover the possibility of the bond being drawn at a figure below the market price, is so heavy that the yield on the bonds is reduced to 2½ per cent. The next objectionable practice mentioned is that of recommending worthless or doubtful bonds. The full plans of the redemption are set out, and the municipality is described in glowing colours, but it is not stated that difficulties have existed in the past in the way of meeting its redemption liabilities, and that, therefore, its bonds are anything but reliable. Another trick is the inclusion of valueless bonds in combinations, increasing the number of chances at the expense of quality, and as the speculator usually has eyes only for the chances, it succeeds. Perhaps one of the worst cases, however, is the sale of vouchers or certificates instead of the bond itself. If the number be drawn, the bond is not forthcoming, and so on. It does not need a very powerful imagination to discover the possibilities in this direction. The future articles, if Mr. Loewe keeps up his standard, should be equally interesting and instructive.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Gordon v. London City and Midland Bank.

[This case is reported in 1903 *Times* Law Reports, Vol. XVI., p. 462.—Our Legal Contributor.]

Etiquette.

(*To the Editor of The Accountant.*)

Sir,—Can there be any doubt among us as to the absolute impartiality and evident fairness of your foot-note in last issue? One would be even more disposed to call it a question of ethics. And very likely some would find a third designation—dependent, however, no doubt, on latitude *and* longitude.

May I add a brief quotation, "Wisely and slow; they stumble that run fast."

Some of our honoured seniors have not withheld their valuable counsel justifying the close of my last sentence.

Yours faithfully,

DECIMAL.

A Gold Reserve Scheme.

(*To the Editor of The Accountant.*)

Sir,—I am not the author of the communication to *The Financial News* referred to and quoted under this head in your Weekly Notes of the 9th inst.

Yours truly,

A. H. GIBSON, F.C.A.

Birmingham, March 11th 1907.

"One-Man" Company.

(*To the Editor of The Accountant.*)

Sir,—The share capital of a company is found by the wife of the managing director—1,000 £1 shares (less, of course, six others at £1), to bear interest at the rate of 6 per cent. per annum, any profit beyond this is arranged for. The point I wish to have other opinion about is this: The first year just ended shows a loss on trading; my contention is, that the interest, which is really in the nature of a dividend, cannot be paid, as this would amount to paying dividend out of capital.

There is also a loan to the company from the same source, not secured in any way; this will have to be treated as an ordinary creditor of the company, but how entered in the books?

Thanking you in anticipation,

Yours faithfully,

March 11th 1907. E. J. D.

[No dividend can be paid on shares, except out of profits. The loan should be shown on a separate account in the name of the lender. Interest is payable on the loan irrespective of profits.—Ed. *Acct.*]

Deeds of Arrangement.

(*To the Editor of The Accountant.*)

SIR,—In reply to "Dubious," the following deal with the point he raises.

Robson (Private Arrangements with Creditors, p. 38) says: "It has been held that when the debtor can no "longer derive the benefit contemplated by the arrange-"ment, the time for accession has gone by, as where "the period for acceptance was closed by the death of "the debtor." *Lane v. Husband* (14 Sim. 656).

Wetherfield (The Law as to Private Arrangements, p. 19) says: "In some cases the creditors have a practical "advantage over the debtor, for, while the latter must "be bound by his deed as soon as he executes it, the "former can stand by and remain passive, and, *unless* "*the debtor dies*, or becomes bankrupt, or the limited "time expires, they can come in afterwards and assent."

Winslow (Private Arrangements between Debtors and Creditors, p. 24) writes of the dicta "which lay down "the proposition that the death of the debtor absolutely "determines the period within which the creditors may "come in," but submits "that where the debtor dies "before the expiration of the time limited for assents, "the creditors would still have a right to come in "within that time, and possibly the Court might allow "others to come in afterwards, who, under special "circumstances, were unable to do so within the period "so limited."

I do not know of any case or competent opinion to the contrary, but if your correspondent does, I shall be obliged for a reference to it.

Yours obediently,

10th March 1907. DAVID P. DAVIES.

Fluctuations and Profits.

(*To the Editor of The Accountant.*)

SIR,—With reference to Mr. F. G. Burton's paper on the "Appreciation of Municipal Assets," read before the Manchester Statistical Society—out of which this question has arisen—there is one matter referred to therein to which I desire to call attention. Mr. Burton states: "I have selected the city of Manchester "accounts for example, not out of any desire to "disparage Manchester finance, but because it is "convenient to have concrete figures to deal with. "The arguments will apply to any local administration "in the country." I am not aware of any other municipality in England who have adopted the method of the Manchester City Council with regard to the appreciation of their assets. Perhaps Mr. Burton can cite others, but I scarcely think it likely.

I quite agree with what Mr. Burton says, that to treat the accounts in this way does amount to "juggling" with the Corporation Balance Sheet, and it is a matter for astonishment that the Local Government Board have not raised objection thereto before this.

Mr. Burton is wrong, however, in asserting that the arguments he has used in connection with the city of Manchester accounts will apply to *any local administration in the country*, and I hope he will take an early opportunity of qualifying his statement to that effect.

Yours truly,

F. S. ECKERSLEY.

St. Annes-on-the-Sea, 4th March 1907.

[The arguments would apply to any local authority when the same facts obtained; but, as we have already stated, we are not aware of any other authority that adopts the Manchester system.—ED. *Acct.*]

Computation of Commission.

(*To the Editor of The Accountant.*)

SIR,—I shall be glad if you will insert the following in the Correspondence columns of your valuable paper, being a matter that has come to my notice, and upon which I shall be glad to hear some expression of opinion from the profession.

A trading company engaged a manager upon an agreement, the terms of which contained *inter alia* that he should be paid a fixed salary of £300 per annum, and receive in addition at the end of each financial year a commission of 10 per cent. upon the net profits.

At the end of the first year a dispute arises between the manager and the directors as to what are the net profits. The manager demanding his commission of 10 per cent. upon the net profits, after his services in the Profit and Loss Account have been charged £300, while the directors maintain that not only his salary of £300, but also his 10 per cent. commission is to be charged in Profit and Loss Account in order to arrive at the net profit.

Assuming the profit before charging the commission is £1,000, the manager is contending that £100 is due

to him, while the directors contend that the real net profit is £909$\frac{1}{11}$, and the commission due to the manager 10 per cent. upon this, viz., £90$\frac{11}{10}$.

Is the position taken up by the directors tenable?

Yours aithfully,

9th March 1907. EAST ANGLIAN.

[We cannot answer this question without knowing the exact wording of the agreement: probably, however, £100 is the amount payable.—Ed. *Acct.*]

Re Cost Accounts.

(*To the Editor of The Accountant.*)

Sir,—After reading the paper contributed by Mr. W. Jenkinson, A.C.A. (Sheffield), published in your last week's issue, may I inquire if I have hitherto dealt inaccurately.

My method has been, *e.g.*—

Prime cost, Materials	£300	0	0
Wages	100	0	0
	400	0	0
Shop Oncost, 50 per cent. on Wages...	100	0	0
Shop cost ...	500	0	0
Office Oncost, 10 per cent. on Shop cost	55	11	1¼
	£555	11	1¼

These figures show an appreciable difference, and I shall be glad of the favour of your reply.

Thanking you,

Yours truly,

12th March 1907. MULTUM IN PARVO.

Income Tax not Deducted from Rent.

(*To the Editor of The Accountant.*)

Sir,—In going through the accounts of a drapery firm last week, I find that during their occupancy of the premises (a matter of close on thirty years) they have not claimed repayment of Schedule A. Property Tax from the landlord. I paid the last quarter's rent, and claimed six years' property tax; the landlord at first refused to allow any whatever, and at last agreed to allow the current year's tax only, although I am of opinion that, within the last two years, a case has been decided in favour of the tenant where the matter had been overlooked.

I should be obliged for your view as to the limit, my contention being that the tenant pays this tax "as and for the account of the landlord."

Thanking you in anticipation,

Yours faithfully,

12th March 1907. T. P. S.

Gas Companies: Capital v. Revenue.

(*To the Editor of The Accountant.*)

Sir,—The payment to a gas company, by a consumer, of the part or whole cost of laying mains to his property, where the cost of such mains has been capital outlay, *should not be credited to Profit and Loss Account.*

The principle involved is that every unit of capital expenditure should yield an equitable return of revenue so long as it continues to be shown as an asset.

Upon this principle, where a gas main supplies a community, the capital cost is, through the price charged for the gas, made common to all the consumers, and each pays his quota in return.

Where, however, an isolated individual requires a considerable length of main specially for his own benefit he must indemnify the company, and such indemnity *must be set off against the amount sunk*, and should not be distributed as a part of dividend.

"Articled Clerk" will readily see that if the amount be paid out as profit it will unduly benefit the present shareholders, while the capitalised cost will remain, yielding no equitable return for future shareholders.

Yours faithfully,

12th March 1907. N. N.

Cost Accounts for Small Manufacturers.

By M. Webster Jenkinson, Chartered Accountant. (*Sheffield*).

(*Continued from p.* 326.)

This Shop Order is so ruled as to indicate the progress of the job through the shops, full particulars of each process being entered down the left-hand side on the issue of the order and any diagram or sketch shown in the space provided.

The foreman in each shop then fills in the date delivered and how dealt with—that is to say, whether handed on to

another department or sent in to the Finished Stock Warehouse. On the reverse side of the Shop Order is shown the various letters which designate the different processes; also a memorandum of the materials used, to serve as a check on the storekeeper, and particulars of how the goods have been disposed of.

For stock orders a differently coloured Shop Order is used, to avoid mistakes, and also so that the foremen may know that such orders may be put aside if the men are too busy to complete all.

The materials used will be dealt with as previously explained, although it may again be mentioned how desirable it is that proper Stock Accounts be kept.

The most convenient method in this case is to enter up the materials used on each order in a *Materials Abstract Book*, a ruling of which was given on p. 321.

Before discussing the method of recording the cost of labour it may be useful to explain that it is customary for a list to be kept showing the rate paid to each class of workmen for the various processes, such prices having been previously arranged.

Strictly speaking, the men should only be paid on completion of the order, but as they may be engaged on several at one time, and perhaps have to put some on one side when urgent orders have to be got out, it necessarily follows that they are constantly drawing money on account.

Most of the men are "little gaffers," who themselves employ men, and therefore the amount of uncompleted work is often very considerable.

The men therefore record the time worked, and, though actually paid by piece-work, they often draw according to the hours they have put in.

Therefore it is most necessary for the management to know both that the men are not, to use a technical expression, "getting into their ribs"—that is to say, not drawing more money than they are entitled to receive according to the work done—and also that they are not receiving too high a price for certain classes of work.

It is very easy to say how this can be accomplished when sitting in a comfortable chair in a cosy office, with pictures of a methodical workman carefully recording the labour he has expended on each order floating in the wreaths of my Lady Nicotine in the smoke-laden air; but go into the shops, see the half-finished articles lying in heaps on the benches, hear the ribald pleasantries of the swarthy sons of toil when you inquire about the progress of an order, and then be tempted to repeat, like Viola in "Twelfth Night," "I can say little more than I have studied and that question's out of my part."

The method here submitted for your consideration may, however, assist you to attain the object you have in view.

Each workman will enter the time spent on each order on a Time Sheet in the manner already described.

On each order being issued a Time Cost Card, ruled as follows, will be commenced, the Order No., Description, and Quantity being entered thereon.

Form 16.— A.—Time Cost Card. Card No.....

Our Order No..... Quantity.....

Description .....

Date Commenced..... Date Finished.....

	Rate	Total Cost		Average Cost	
		Hours	Amount £ s d	Hours	Amount £ s d
Smiths					
Turning					
Drilling					
Milling					
Hardening and Marking					
Glazing and Grinding					
Bench Work					

On Cost Added .. .. £ : :

Materials .. .. .. £ : :

Materials Book Fo. .....

Certified

.....

Works Manager.

B.—Piece Work Summary.

Order No..... Hours Credited, Week ending Card No.....

Workman's No.	Quantity	Rate	Amount							Total Hours	Datal Rate	Total Credited	Balance	W. B. Fo.
			£ s d									£ s d	£ s d	

C.

Week ending..... Week ending.....

	No.	No.	No.	No.	No.	No.	S.	T.	D.	M.	H.	G.	B.
T.													
F.													
S.													
M.													
T.													
W.													
T.													
F.													
S.													
M.													
T.													
W.													

	No.	No.	No.	No.	No.	No.	S.	T.	D.	M.	H.	G.	B.
T.													
F.													
S.													
M.													
T.													
W.													
T.													
F.													
S.													
M.													
T.													
W.													

These Time Cost Cards should be printed on stout cardboard with a linen hinge, and of such a size that they will conveniently fit into a cabinet.

Each day the cost clerk enters the time spent by each workman in the part marked "C," so that at the end of the week the total time spent by each man on the order can be ascertained. The time is then analysed in the columns provided, headed with the letters which designate the process.

When the Shop Order was issued the No. of the workman, the Quantity, the Rate, and the total amount payable would be entered on part "B," and each week the time spent by each workman is here credited to him.

For this work he is paid at a certain rate per hour until the process is completed, when the total amount he has received is entered, together with the balance due to him.

On completion of the job the particulars on the front part of the *Time Cost Card* (marked "A") are filled in, so

that the management can in a moment refer to the card, and trace the whole history of the job, and also compare the average cost of the process on one class of goods with that on another.

The *Time Cost Cards* for completed jobs are filed away, so that the cost clerk has only to handle *live* cards.

Cards of a different colour are used for stock orders to avoid confusion.

If the order occupies more than four weeks an inset can be gummed in to provide more space in the part marked "C."

The *Wages Book* is ruled as follows:—

Form 17.— WAGES BOOK. Week ending..... .....190..

Workman's No.	Name	Occupation	Amount due for Piece Work Credit Balances — Order Nos									Total Credit Balances	Time on Work in Progress — Order Nos.									Hours Worked	Rate	Amount	Deductions — Piece Work Debit Balances	Deductions — Other Deductions	Total Amount Paid	Total Hours
			No.	No.	No.	No.	No.	No.	No.	No.	No.	£ s d	No.	No.	No.	No.	No.	No.	No.	No.	No.			£ s d	£ s d	£ s d	£ s d	

At the end of each week the cost clerk goes through the Time Cost Cards, and enters in the Wages Book the amount due to each man for completed work and the hours worked on unfinished jobs. The works foreman will look over the Time on Work in Progress, and point out any jobs on which no further time is to be credited until the work is completed. The hours worked are then calculated at the rate fixed for each man, and the total extended; the amount due for piece-work credit balances is added to this amount, any debit balances for work that may have been overpaid, and other deductions, such as hospital, subtracted, the balance being the net amount payable.

Completed Work Summary.

When each order is completed the particulars shown on the front part of the Time Cost Card are entered in the Completed Work Summary.

Form 18.— COMPLETED WORK SUMMARY.

No. of Card	Order No.	Smiths	Turning	Drilling	Milling	Hardening, Marking, &c.	Glazing and Grinding	Bench Work			Total	Materials	Oncost Added
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

The materials used, as shown in the Materials Summary, and the oncost, are added, thus showing the actual cost of each order.

Separate pages are used for Goods for Stock, Repairs, Unchargeable Time, &c., so that the total cost under each of these heads can be ascertained.

Finished Stock.

A Stock Debit Note is sent with all finished stock into the warehouse and entered in a Stock Inwards and Outwards Book, which also records the goods sent out of the Finished Stock Warehouse, for which a Stock Requisition Note will be received.

Form 19.— FINISHED STOCK INWARDS AND OUTWARDS BOOK.

Stock Received.									Stock Issued.								
Date	No. Stock Debit Note	Order No.	Description	Quantity		Rate	Amount	Stock Card No.	Date	No. Reqn. Note	Order No.	Description	Quantity		Rate	Amount	Stock Card No.
				No.	Weight								No.	Weight			
					T. c. q. lb.		£ s d							T. c. q. lb.		£ s d	

Form 20.— FINISHED STOCK CARD. Maximum.....

No..... Description..... Size..... Minimum.....

Received			Issued				Received			Issued			
Date	No.	Weight	Date	No.	Weight	Order No.	Date	No.	Weight	Date	No.	Weight	Order No.
		T. c. q. lb.			T. c. q. lb.				T. c. q. lb.			T. c. q. lb.	

The Card System of recording the stock in the Finished Stock Warehouse can be conveniently adopted, a separate card being used for each class of article, the posting being made from the Finished Stock Inwards and Outwards Book.

The Shop Orders form the Stock Record in the Partly Finished Stock Warehouse, for as each Shop Order accompanies the job on its progress through the works the partly finished stock in this warehouse must necessarily correspond with the Shop Orders on the file.

Monthly Returns.

We have now to consider what results can be obtained by framing the Cost Accounts on this system.

It has been shown that by adopting the form of Time Cost Card (given on p. 352) the time spent by each workman on the various orders can be ascertained, thus ensuring that no man is overpaid for work in progress, whilst at the same time the management is able to tell whether any class of work is paid for at an excessive rate compared with the time occupied—perhaps a small matter at first sight, but a most important one to those in control.

The cost of each order can also be ascertained, together with an analysis of the labour employed on the job.

A Monthly Return is, however, required to show the progress of the business and the approximate profit earned.

The Work in Progress Accounts are as follow:—

Form 21.—

Dr. WAGES—WORK IN PROGRESS ACCOUNT. *Cr.*

		£ s d			£ s d
Jan. 1	To Wages on Uncompleted Work at this date		Jan. 31	By Wages on Completed Work as per Summary—	
31	„ Wages paid for Piece Work as per Nominal Ledger..			Orders	
				Stock	
				Repairs	
				Unchargeable Time	
				&c. &c.	
				„ Wages paid on Work in Progress, as per Time Cost Cards	

Form 22.—

Dr. MATERIALS—WORK IN PROGRESS ACCOUNT. *Cr.*

		£ s d			£ s d
Jan. 1	To Materials on Uncompleted Work at this date		Jan. 31	By Materials used on Completed Work as per Summary—	
31	„ Materials used as per Summary ..			Orders	
				Stock	
				Repairs	
				Unchargeable Work	
				&c. &c.	
				„ Materials used on Work in Progress as per Summary	

The *Finished Stock Account* will show the cost of goods sold out of the Finished Stock Warehouse. From the Completed Work Summary Book can be ascertained the cost of the materials used and labour expended on manufactured goods sent into the Finished Stock Warehouse, and to this has to be added any finished goods purchased, whilst the Stock Inwards and Outwards Book shows the cost of the goods issued.

The *Finished Stock Account* is as follows:—

Form 23.—

Dr. FINISHED STOCK ACCOUNT. *Cr.*

		£ s d			£ s d
Jan. 1	To Stock on hand		Jan. 31	By Cost of Goods Sold as per Stock Inwards and Outwards Book	
31	„ Goods Purchased		„	„ Finished Stock used for:—	
„	„ Materials used on Finished Stock as per Work in Progress Account..			Repairs	
„	„ Wages do.			Loose Tools	
„	„ Oncost Added			&c.	
			„	„ Stock on hand	

It only therefore remains to debit the cost of Materials, Labour, and Oncost on orders for customers, together with cost of Stock issued from Finished Stock Warehouse, and to credit the sales as shown in Sales Day Book, and the *Monthly Return* can be prepared in the same form as that given on p. 325.

This system is applicable to any concern manufacturing a large number of different articles, and is particularly suited to those cases where the men are paid by piece-work.

In practice it is not so complicated as it may perhaps appear in theory, and can be modified to suit the requirements of each undertaking.

Incomplete Systems.

It may happen that a client will not at the outset be at the trouble or expense of keeping a proper set of Cost Books that can be regularly balanced and incorporated in the financial books, but, at the same time, he may be desirous of adopting a more simple method of ascertaining the cost of each job.

This can be accomplished by dispensing with the Materials and Wages Summary Books and posting direct to the Cost Ledger from the Time Sheets and Requisition Notes.

Of course, no Work in Progress Accounts can be prepared nor the clerical accuracy of the postings verified, but as "half a loaf is better than no bread," so half a system is better than no system at all, and once drive in the thin edge of the wedge and it is possible eventually to institute a complete set of Cost Books.

In order to reduce the postings to the Cost Ledger a Wages Analysis Book, ruled as follows, may be used, the weekly totals of each job being entered in the Cost Ledger.

Form 24.— WAGES ANALYSIS BOOK.

No. of Workman	Name	Wages Paid	Analysis								
			Job No.		Job No.		Job No.		Job No.		&c. &c.
		£ s d									

A convenient form of Cost Ledger would be as follows:—

Form 25.— COST LEDGER.

Name..... Address.....

Date	Particulars	Wages		Direct Materials		Stores		Expenses		Remarks
		Hours	Amount	P.J. fo.	Amount	Req. No.	Amount	C.B. fo.	Amount	
			£ s d		£ s d		£ s d		£ s d	

When the job is completed the total cost will be entered in the corresponding columns in the Sales and Cost Analysis Book (Form 13, p. 325), thus indicating the profit or loss on each job.

Audit.

It is not part of the regular duty of an auditor to check the Cost Accounts, but, at the same time, it is most desirable that he should examine the Work in Progress Accounts, and ascertain that the books have been *actually* balanced, and not made to agree.

From this source he can find out the cost of the materials used, and thus verify the stock on hand; he can satisfy himself that the charge to Capital or Repair Accounts for work done is correct; he can check the amount of work in progress; and generally he can learn a great deal about the business which otherwise would escape his notice.

An auditor is not a machine; the auditor who works like a machine is not worth the cost of running. Some auditors are like day trippers at the seaside—they arrive, see the sights that everyone has seen before, and then go away fully convinced they have seen all there is to see.

The good auditor is the man who prys into dark caves, seeking for wonders that are not known to exist; who wanders off on lonely paths to discover for himself what lies in the direction he follows; who comes away knowing more than the residents.

Our mission is to discover errors; and although occasionally they may be found lying on the highways, more often they are hidden away lurking in corners, and, intentionally or unintentionally, so covered up that he who runs may not heed.

Method is a good friend to us, but sometimes our best friends are our worst enemies, and familiarity only breeds contempt.

Let us therefore step off the beaten track laid down by Dicksee and others who made the road in the days before us. If Cost Accounts are kept let us probe into the root of the system; advise if we think it requires other treatment; and satisfy ourselves that the tree can and does bring forth good fruit.

The valuation of the work in progress is a most important matter. The auditor should go through the Cost Ledger balances with the works foreman, and not only satisfy himself that all these balances are actually work that will, in due course, be charged to a customer, but also that the work yet to be done on each job will not result in any loss being entailed for which provision has not been made.

In a general way credit should only be taken for the cost of the materials, labour, and direct expenses, together with a proportion of oncost, no profit being anticipated except in such cases where the cost to finish can fairly accurately be gauged.

It is quite justifiable, however, to add a proportion of both shop and office oncost, as these are as much part of the cost as the labour and materials, the amount to be added depending on the progress of the work.

In large contracts interest can also be charged, as it may be that some hundreds, if not thousands, of pounds are locked up on one job, and consequently a corresponding loss of interest on the general bank balance.

This, however, is not a lecture on auditing. On the present occasion it is unnecessary to say more. But remember, audits are like the fair sex—there are never any two alike. The peculiar characteristics of each must be taken into account. The good auditor, like the good courtier, is the man who pays attention to little things.

Conclusion.

What I have said has been of my own making; what I should have said, you now have the opportunity of telling me.

I do not claim to have given you a system of Cost Accounts that can be described as the ideal one; I do not profess that my methods are any better than those with which you are acquainted. I have, however, attempted to give you a few hints from personal experience which may be found useful to you when drafting a system of Cost Accounts for a small manufacturer.

Do not, however, lock up the copy of this paper in some secret drawer, in the hope that some day when you have similar work to do you will merely have to copy out the forms, dictate a letter, and send in your bill.

Alas! it must be said that the Cost Accounts of one business are never the Cost Accounts of another business. Each must be judged on its own merits; each prescribed for according to its own particular symptoms; each treated as a parent should treat his children,—according to temperament.

Such is not the object of the paper, rather is it to impress upon the coming generation of Chartered Accountants the necessity of being fully acquainted with factory organisation and accounts, as well as with the books of the counting-house.

Our profession already shows signs of overcrowding, yet others still come to join the brimming river; the outlets in secretarial channels are becoming choked. What can we do with the overflow? Here is an opportunity for men trained to methodical methods, accustomed to complex calculations, schooled in the science of organisation, to

secure posts remunerative to themselves, and invaluable to those who employ them.

And even the accountants of the future day must have qualifications that have not been required in the past, if they are to hold that high position which has been attained this last thirty years. Gone are the bookkeepers of byegone days, who lived their little lives writing up a Journal or Ledger without a thought of the mysteries of double-entry; gone are their ponderous vellum-bound tomes with their copper-plate entries and fantastic head-lines; gone the very type of men who occupied such positions. Their places are now occupied by the products of modern education, who have mastered the science but never learnt the art of bookkeeping; men who can prepare a Trading Account, but who cannot post a Ledger without the use of a knife; most of them recruits from the offices of accountants—men who have seen active service and have learnt how to marshal the forces under their command. The professional accountant must therefore make himself indispensable to his client; he must be regarded as a commercial as well as a financial expert; he must progress with the times.

If he fails, others will seize the opportunity, and he must be content to see them take the post of pilot and draw his pay.

> "There is a tide in the affairs of men,
> Which, taken at the flood, leads on to fortune;
> Omitted, all the voyage of their life
> Is bound in shallows, and in miseries.
> On such a full sea are we now afloat;
> And we must take the current when it serves,
> Or lose our ventures."

Sheffield Chartered Accountants Students' Society.

Bills of Sale.

By Dr. Tinsley Lindley.

The following are the notes of a lecture on the above subject, delivered by Dr. Lindley on February 7 1907.

The term "Bill of Sale" is applied to a document whereby the right and property in personal chattels is transferred either absolutely or by way of security to a person termed a grantee, the possession thereof usually remaining with the grantor. The former is designated an absolute bill of sale, the latter a conditional one.

The object of the Legislature in dealing with these transactions, as appears hereafter, was to prevent fraud—in the first case, so that persons remaining in apparent possession of such chattels, the property of another, should not thereby obtain false credit; and, in the second, so that persons borrowing upon security of them should thoroughly understand the nature of the transaction.

The particular statutes referring thereto are the Bills of Sale Act, 1878, repealing the Act of 1854 as amended by the Act of 1866, and the Bills of Sale Act, 1882, as amended by the Acts of 1890 and 1891. Though it is necessary to consider the Acts together, it must be borne in mind that the Act of 1878 refers to absolute bills of sale, whereas the Act of 1882 refers to conditional ones.

The expression "bill of sale" includes bills of sale, assignments, transfers, declarations of trust without transfer, inventories of goods with receipt thereto attached, or receipts for purchase-moneys of goods, and other assurances of personal chattels, and also powers of attorney, authorities or licences to take possession of personal chattels as security for any debt, and also any agreement (whether intended or not to be followed by the execution of any other instrument) by which a right in equity to any personal chattels, or to any charge or security thereon, shall be conferred. (Bills of Sale, 1878, Section 4.)

Thus there are three classes of documents.

(1) *Assurances of personal chattels.*

An assurance is a document upon which the title of the transferee of the goods depends either as the actual transfer of the property or an agreement to transfer, or as a muniment or document of title taken at the time as a record of the transaction. (*Marsden v. Meadows* (7 Q.B.D. 80), *N. C. Wagon Co. v. Manchester Railway Co.* (35 Ch.D. 191; 13 App. C. 554), *Evans v. Roberts* (36 Ch.D. 196).) The Acts only apply to documents, not to the transactions, so that if the transaction confers a good title without any reference to a document it does not come within the Acts (*Marsden v. Meadows* (7 Q.B.D. 80), *Ex parte Cooper* (10 Ch.D. 313), *Woodgate v. Godfrey* (5 Ex.D. 24), *Ramsay v. Margrett* (1894, 2 Q.B. 18), *Maas v. Pepper* (1905 Ap. C.), *Mills v. Charlesworth* (61 L.J. Q.B. 330 [H.L.]); but if such transaction is adopted for the real purpose of securing a debt, the Court will consider not the mode of transaction, but the substance or effect thereof, and declare the same to be a bill of sale. This point is often raised in cases of sale and hiring agreements. *Byreley v. Prevost* (L.R. 6 C.P. 144), *Phillips v. Gibbons* (5 L.R. 527), *Yorkshire Wagon Co. v. Maclure* (21 Ch.D. 309), *Houper v. Ker* (76 L.T.J. 307), *Re Watson* (25 Q.B.D. 27), *Beckett v. Tower Assets* (1891, 1 Q.B. 638).)

(2) *Documents conferring a power or licence to take possession of personal chattels as security for any debt.*

These documents, according to the words used, have reference only to personal chattels left in possession of the grantor upon which there is a security for a debt. They have little application nowadays, as being conditional bills of sale they come under Act 1882, and it is impossible to draw them in the form required by that Act. (See later.)

If possession has been given, there is no licence to seize, therefore it would not be a bill of sale. (*Charlesworth v. Mills* (1892, A.C. 231).) If the possession is ambiguous, *e.g.*, under a building agreement, it is a case of intention of the parties. A clause that the chattels shall be deemed to be in the possession of the building owner determines the question (*Reeves v. Barlow* (12 Q.B.D. 436), *Ex parte Newitt; re Gerrard* (16 Ch.D. 522), *Ex parte Jay; re Harrison* (14 Ch.D. 19), *Ex parte Barter* (26 Ch.D. 510), *Ex parte Dickin; re Waugh* (4 Ch.D. 524)), but such a clause would avail little if the goods were in the possession of the grantor.

(3) *Documents creating a right or charge in equity affecting personal chattels.*

These apply to equitable rights, not legal rights. (*Reeves v. Barlow* (12 Q.B.D. 436).)

The most usual instances are agreements to assign. (*Ex parte Conning* (L.R. 16 Eq. 414), *Ex parte Montagu* (1876, 1 Ch.D. 554), *Baghott v. Norman* (41 L.J. 787), *London and Yorkshire Bank v. White* (11 T.L.R. 570).)

By Section 6, Bills of Sale, 1878, "Every attornment, "instrument, or agreement not being a mining lease "whereby a power of distress is given or agreed to be given "by way of security for any present future or contingent "debt or advance, and whereby any rent is reserved or "made payable as interest on such debt or advance *shall be* "*deemed a bill of sale* within the Act of any personal chattels "which may be seized or taken under such power of dis-"tress. Provided that nothing in this section shall extend "to any mortgage of any estate or interest in land or tene-"ment which the mortgagee being in possession shall have "demised to the mortgagor as his tenant at a fair and "reasonable rent."

To bring an instrument under this clause there must be power of distress to secure a debt, and rent must be reserved or made payable so as to provide for interest or otherwise for the purpose of securing the debt.

Prior to this section an attornment clause created all the remedies and incidents of a tenancy, so that the mortgagee could distrain on *all* goods on the premises.

"Deemed to be a bill of sale." (See *Green v. Marsh* (1892, 2 Q.B. 330).)

These could not be drawn in the statutory form which is required for bills of sale; but since they are only *deemed* to be bills of sale the form is excused, but registration is required.

The section does not apply where no personal chattels are seized or taken. (*Mumford v. Collier* (25 Q.B.D. 279).)

The following documents are not bills of sale (Section 4). Assignments for benefit of creditors (*i.e.*, generally); marriage settlements (*i.e.*, ante-nuptial—see *Aston v. Blackshaw*) (L.R. 9 Eq. 510), *Wunnan v. Lyon* (1891, 2 Q.B. 192), *Casson v. Churchley* (53 L.J., Q.B. 335); transfers or assignment of ships (see Merchant Shipping Act, 1894); transfers of goods in ordinary course of business (*Ex parte Watkins* (L.R. 8 Ch. 520), *Ex parte Vaud* (L.R. 9 Ch. 602)); bills of sale of goods in foreign parts, or at sea; bills of lading; India warrants; warehousekeepers' certificates; warrants or orders for delivery of goods (*Grigg v. National Guardian Assurance Co.* (1891, 3 Ch. 206)), or any other documents used in the ordinary course of business as proof of the possession or control of goods, or authorising, or purporting to authorise either by endorsement or by delivery, the possessor of such document to transfer or receive goods thereby represented (*Ex parte Parsons* (16 Q.B.D. 532).)

By Section 17, Act 1882, nothing in this Act shall apply to any debentures issued by any mortgage, loan, or other incorporated company, and secured upon the capital stock on goods, chattels, and effects of such company.

The exception does not extend to societies registered under the Industrial and Provident Societies Acts. (*Great Northern Railway Co. v. Coal Co-operative Society, Lim.* (1896, 1 Ch. 187).)

By Bills of Sale Act, 1901 (amending Bills of Sale Act, 1900), an instrument charging or creating any security on or declaring trusts of imported goods given or executed at any time prior to their deposit in a warehouse, factory, or store, or to their being re-shipped for export or delivered to a purchaser not being the person giving or executing such instrument, is not deemed a bill of sale.

"Personal chattels" means goods, furniture, and other articles capable of complete transfer by delivery, and (when separately assigned or charged) fixtures and growing crops (*Branton v. Griffiths* (2 C.P.D. 212), *Roberts v. Roberts* (13 Q.B.D. 794).)

The term does not include chattel interests in real estate; nor fixtures—except trade machinery as defined in Section 5—when assigned with a freehold or leasehold interest in the land to which they are affixed; nor growing crops when assigned with any interest in the land on which they grow; nor shares or interests in the stock funds or securities of any Government, or in the capital or property of incorporated or joint-stock companies; nor choses in action; nor any stock or

produce upon any farm or land which, by custom of the country, ought not to be removed from such farm or land.

Personal chattels are deemed to be in the apparent possession of the person giving the bill of sale, so long as they remain, or are in or upon any house, mill, warehouse or building, works, yard, land, or other premises occupied by him, or are used and enjoyed by him in any place whatsoever, notwithstanding that formal possession thereof may have been taken by or given to any other person.

Apparent possession refers solely to absolute bills of sale.

The occupation must be *de facto*. (*Ex parte Morrison* (42 L.T. 158), *Robinson v. Briggs* (L.R. 6 Ex. 1).)

Possession by the grantee must be active. (*Ex parte Jay* (L.R. 9 Ch. 697), *Ex parte Saffery* (16 Ch.D. 668), *Gibbons v. Hickton* (53 L.T. 910).)

Chattels in possession of a bailee for the grantor are in his apparent possession. (*Ancona v. Rogers* (1 Ex.D. 285), *Brooks v. Harrison* (6 L.R. Ir. 85).)

Trade machinery is dealt with in Section 5. If it passes with the land by virtue of being fixed thereto, it cannot be said to be an assurance or licence to seize, but if the instrument contains a mode of disposition then it is deemed a bill of sale. (See *Brooks v. Brooks* (1894, 2 Ch. 600), *Ex parte Lusty* (6 Mor. 18), *In re Gates* (38 Ch.D. 112).)

The chattels must be sufficiently identified, and it is not necessary to have a schedule or inventory. (*Dyer v. Green* (1 Ex. 71).)

Form and Requisites of Bills of Sale.

Absolute Bills of Sale.

These are governed by the Bills of Sale Act, 1878.

(*a*) *Form.*

No particular form is necessary, but it must be effective as an assignment.

(*b*) *Attestation.*

The execution must be attested by a solicitor, and the attestation must state that before the execution of the bill of sale the effect thereof was explained to the grantor by the attesting solicitor. (Section 8.)

(*c*) *Registration.*

The bill of sale must be registered within seven days after the making or giving thereof at the Bills of Sale Department of the High Court. (Section 8.) If the last day be a Sunday, or a day when the office is closed, the next day is allowed. (Section 22.)

Registration must be renewed once at least every five years (Section 11) otherwise the registration becomes void. The renewal is effected by an affidavit filed with the Registrar stating the bill of sale's still subsisting security. (For form see Schedule A in the Act.)

Registration is effected by presenting to the Registrar—

(i.) Original bill together with every inventory or schedule annexed thereto or referred to therein. (*Davidson v. Carlton Bank* (1893, 1 Q.B. 82).)

(ii.) A true copy of the above in all respects. (*Coates v. Moore* (1903, 2 K.B. 140).)

(iii.) An affidavit sworn before a Master of the High Court, or a Commissioner for Oaths, verifying—

(*a*) time when bill of sale was made or given;

(*b*) the due execution and attestation;

(*c*) description of residence and occupation of the grantor and of every attesting witness. (*Sims v. Trollope* (1897, 1 Q.B. 24), *Coates v. Moore* (1903, 2 K.B. 140).)

Upon registration, if the grantor reside outside the jurisdiction of the London Bankruptcy Court, or the chattels included in the bill of sale are not within the district of such Court, the Registrar should forward an abstract of the bill of sale within three days of registration to the County Court Registrar in whose district such places are situate. (Section 10, Bills of Sale Act, 1882.) Registrations have priority in the order of the date of registration as to the chattels comprised in the bills of sale (Section 10), and such provision applies between grantors as well as in the event of bankruptcy of or execution against the grantee. (*Connelly v. Steer* (7 Q.B.D. 520).)

A bill of sale may be transferred, and such transfer does not require registration. (Section 11.)

The copy is filed with the Registrar. (*Coates v. Moore* (1903, 2 K.B. 140).)

(*a*) *Consideration.*

This must be truly set forth in the bill of sale. The interpretation of the Act hereon is most exact, though it is sufficient if the words describe the true legal or mercantile effect. (*Credit Co. v. Pott* (1880, 6 Q.B.D. 295), *Ex parte Mercantile Bank* (1880, 15 Ch.D. 42), *Thomas v. Searles* (1891, 2 Q.B. 408).) The consideration may be an existing debt, or money paid before the execution of the deed. (*Credit Co. v. Pott* (1880, 6 Q.B.D, 295), *Ex parte Nelson* (35 W.R. 264), *Ex parte Bolland* (21 Ch.D. 243).) The money may be paid to third parties at the direction of the grantor. (*Hamlyn v. Bettaley* (5 C.P.D. 327), *Roe v. Mutual Fund Association* (56 L.T. 631).) In cases where deductions are made by the grantee from the amount stated to be paid to the grantor great exactness is required, or the consideration will not be truly stated. (*Ex parte Charing Cross* (16 Ch.D. 35), *Richardson v. Harris* (22 Q.B.D. 268), *Tenter v. Alsey* (1 C. & E. 186).) Matters collateral to the consideration need not be set out.

(*Ex parte National Bank v. Haynes* (15 Ch.D. 42).) A bill of sale cannot be given as security against liability or a guarantee. (*Hughes v. Little* (18 Q.B.D. 32).)

(*b*) *Defeasance.*

If the bill of sale is made or given subject to any defeasance, or condition, or declaration of trust not contained in the body thereof, such defeasance, condition, or declaration must be contained in the body of the bill, or be written on the same paper or parchment therewith, and be set forth in the copy filed for registration.

Defeasance is something contained in a separate deed or document which defeats the operation of another deed. (*Ex parte Popplewell* (21 Ch.D. 73).) Condition is one that affects either grantor or grantee. (*Edwards v. Marcus* (1894, 1 Q.B. 587).) Declaration of trust means a trust in favour of the grantor. (*Robinson v. Collingwood* (34 L.J. C.P. 18).) The effect of this section is that where there is in fact but one agreement though contained in two documents, then, since the whole is a bill of sale, it is necessary that the same should be contained in the one document.

The principal cases are as above, also *Ex parte Southam* (L.R. 17, Eq. 578), *Ex parte Vaill* (10 Ch.D. 76), *Simpson v. Charing Bank* (34 W.R. 568), *Griffin v. Union Bank* (3 T.L.R. 603), *Counsell v. Westminster Loan* (19 Q.B.D. 512), *Owen v. Fisher* (5 T.L.R. 504), *Heseltine v. Simmons* (1892, 2 Q.B. 547), *Carpenter v. Deen* (23 Q.B.D. 566).

If the particulars as above are not complied with, the bill of sale is deemed fraudulent and void in respect of the goods therein comprised or the right to possession thereof, and in the apparent possession of the grantor, as against the following persons, under the circumstances as appear below:—

(1) Trustee in bankruptcy.

(2) Trustee under assignment for benefit of creditors.

(3) Persons issuing execution. (*Paine v. Matthews* (36 Ch.D. 196).)

Unless before the time of filing the petition in bankruptcy, or the execution of the assignment or the execution of the process, there has been an actual taking possession by the grantee. Such taking possession must be actual physical possession—(*Ex parte Fletcher* (5 Ch.D. 809), *Ex parte Jay* (9 Ch.D. 904))—and will be effective though the bill of sale was never registered. (*Ex parte Blaiberg; re Toomer* (23 Ch.D. 254), *Ex parte Redfern; re Ball* (19 W.R. 1058).)

Non-compliance does not affect the bill of sale for other purposes, so that the rights as between grantor and grantee are not affected. (*Davis v. Goodman* (5 C.P.D. 128).)

The instrument, if void, will only be so as to the chattels comprised therein, so that covenants contained therein are still effective. (*Baghott v. Norman* (41 L.T. 787), *Heseltine v. Simmons* (1892, 2 Q.B. 547).)

A bill of sale being void as against the above persons only, an unregistered bill of sale is good as against a purchaser of the goods from the grantor, unless they were sold in the ordinary course of business with the authority (implied or express) of the grantee. (*Taylor v. M'Keand* (5 C.P.D. 356); see also *Cranfield v. Cranfield* (23 L.R. Ir. 555).)

Under an absolute bill of sale the chattels are not within the order and disposition clause of the Bankruptcy Acts (see Section 10, Bills of Sale Act, 1878). See latter as to conditional bill of sale.

By Section 14 a Judge of the High Court may, in certain cases, rectify the register of the bill of sale, viz.:—

(*a*) Where there has been an omission to register it or an affidavit of renewal within the time prescribed;

(*b*) Where there has been an omission or misstatement of the name, residence, or occupation of any person;

provided the same was due to accident or inadvertence.

A new bill of sale, in cases of doubt as to its validity, may be executed by the parties. (*Cooper v. Zaffert* (32 W.R. 402).)

The discretion will not be exercised where it would defeat rights of third parties already vested—(*Crew v. Cummings* (21 Q.B.D. 420), *In re Parsons* (1893, 2 Q.B. 122))—*e.g.*, as against a trustee in bankruptcy in whom the property of the grantor had vested.

Conditional Bills of Sale.

(*a*) *Form.*

These are void unless made in accordance with the form in the Schedule to the Bills of Sale Act 1882, Section 9 (see *Thomas v. Kelly* (13 App. C. 506)), and, therefore, licences to take possession as security, and documents conferring rights in equity, are no longer valid as securities.

It is not necessary that the exact words should be used so long as the same legal effect is produced (*Ex parte Stanford* (17 Q.B.D. 259), *Edwards v. Marston* (1891, 1 Q.B. 228), *Weardale Co. v. Hodgson* (1894, 1 Q.B. 598), *Saunders v. White* (1902, 1 K.B. 472)), but they must be intelligible, and not calculated to deceive. (*Curtis v. National Bank of Wales* (1889, 5 T.L.R. 333).)

The principal points are:—

(1) Names, addresses, and occupation of parties, in *Dolcini v. Dolcini* (1875, 1 Q.B. 898).

(2) The consideration, which must be truly stated (see Absolute Bill of Sale), and amount to thirty pounds at least.

The chattels must be specifically described, that is, with such particularity as is usual in an ordinary business inventory of such chattels in such a place as they are. (*Witt v. Banner* (20 Q.B.D. 114), *Hickley v. Greenwood* (25 Q.B.D. 277), *Carpenter v. Deen* (23 Q.B.D. 566), *Davidson v. Carlton Bank* (1898, 1 Q.B. 82 (C.A.).)

(3) The assignment of the chattels described in the schedule annexed thereto.

The assignment must not be as beneficial owner, as otherwise it would confer further powers of seizure than Section 13 allows, viz., under Section 7 (1) Conveyancing Act, 1881, on default of payment an immediate power of entry and sale. (*Ex parte Stanford* (17 Q.B.D. 259))

After acquired chattels cannot be included (*Thomas v. Kelly* (13 App. C. 506)), except

(*a*) Where brought on in substitution for fixtures, plant, or machinery under Section 6 (2.) Plant may include moveable chattels. (*Yarmouth v. France* (19 Q.B.D. 647).)

(*b*) Where assigned under a covenant in the bill of sale to maintain the security by substituting other articles therefor. (*Seed v. Bradley* (1894, 1 Q.B. 319), see *Hadden v. Oppenheim* (60 L.T. 962).) Chattels real must not be included, otherwise bill of sale is not in accordance with the form. (*Cochrane v. Entwistle* (25 Q.B.D. 116).)

(4) As security for the payment of the sum and interest. The principal sum must be a definite one. (*Hughes v. Little* (18 Q.B.D. 32), *In re Hill* (2 Mans 208).)

(5) Stipulations as to repayment.

Some time or times must be named, it cannot be forthwith (*Ex parte Pearce* (25 Ch.D. 656), *Melville v. Stringer* (13 Q.B.D. 392); nor on demand (*Mackay v. Merritt* (34 W.R. 433), *Hetherington v. Groome* (13 Q.B.D. 789), even within a certain time thereafter (*Sibley v. Higgs* (15 Q.B.D. 619).) Repayment may be by instalments or in one sum (*Watkins v. Evans* (18 Q.B.D. 386).) Default in payment of an instalment results in the principal and interest becoming due. Section 7 (1). (*Lumley v. Simmons* (34 Ch.D. 698).)

(6) Terms as to insurance, payment of rent, or otherwise, for maintenance or defeasance of the security.

(7) Proviso that the chattels shall not be liable for seizure, except in cases specified in Section 7, Bills of Sale Act, 1882.

An omission of this proviso would vitiate the bill of sale. (*Thomas v. Kelly* (13 Ap. C. 506).). Seizure cannot be made except for the specified causes (*Furber v. Cobb* (18 Q.B.D. 494)), and any power to seize for breach of covenant not necessary for maintaining the security makes bill of sale void. (*Topley v. Corabie* (20 Q.B.D. 350).)

The power to seize cannot be exercised on default in performance of a negative covenant. (*Hyde v. Warden* (3 Ex.D. 72).)

To justify seizure under a covenant, the covenant must be a term for maintenance contained in the bill of sale, also necessary for maintaining the security. (*Weardale v. Hodgson* (1894, 1 Q.B. 598), *Ex parte Pope; re Paxton* (69 L.T. 428).)

Attestation.

The bill of sale must be attested by one or more credible witnesses—not parties thereto—(*Sims v. Trollope* (1897, 1 Q.B. 24))—with addresses and occupations. (*Simmonds v. Woodward* (1892, A.C. 180).)

Registration.

This is as in cases of absolute bills of sale. The above particulars must be complied with, otherwise the bill will be void in the following manner:—

(1) If the form be not followed, or the consideration less than £30, the bill is void as between all parties. It confers no security or protection whatsoever, but the sum advanced may be recovered as a debt due to the grantee. (*Davies v. Rees* (17 Q.B.D. 40).)

(2) If the registration or attestation be improper, or the consideration be untruly stated, the bill is void as between the parties, as far as the security is concerned (Section 8), but the grantor remains liable on any valid covenants—*e.g.*, payment of a certain rate of interest. (*Heseltine v. Simmons* (1892, 2 Q.B. 547).)

(3) If the bill of sale does not contain an inventory annexed specifically describing the goods, the bill of sale will be void, except as against the grantor—

(*a*) In respect of goods not specifically described therein (Section 4); or,

(*b*) In respect of goods included therein of which the grantor was not the true owner at the time of executing the bill of sale (Section 5).

The grantor has by virtue of his equity of redemption sufficient ownership to grant a second bill of sale, subject to the former. (*Thomas v. Searles* (1898, 2 Q.B. 408).)

Duplicate Bills of Sale.

The object of registration is publicity, and seven days from execution is allowed for same. Registration might have been avoided by executing another bill of sale *before the expiration* of such period; but Section 9 says that if such be done, and the bill of sale is given as security for some debt, or any part of it, the bill of sale is absolutely void as to the security and personal chattels, unless it be shown that the subsequent bill of sale was

bonâ fide given to correct some material error in the prior bill of sale, and not for the purpose of evading the Act. (*Ex parte Hannwell* (23 Ch.D. 626), *Cooper v. Zaffert* (32 W.R. 402).) "After expiration" would be valid. (*Carrard v. Meek* (29 W.R. 244).)

Remedies of the Grantee.

Where a bill of sale is regular the grantee is (Section 7) a secured creditor, subject to being defeated as hereinafter mentioned, but the chattels are not liable to be seized or taken possession of by him, except for the causes following:—

(1) If the grantor make default in payment of the sum or sums thereby secured at the time provided for payment (*Williams v. Stern* (5 Q.B.D. 409), *Johnson v. Diprose* (1893, 1 Q.B. 512)), or in the performance of any *covenant* or agreement contained, *and necessary* for maintaining the security. (See notes under Form.)

(2) If the grantor shall become a bankrupt, or suffer the said goods, or any of them, to be distrained for rent, rates, and taxes. (See Section 14.)

This does not include a statutory composition with creditors. (*Gilroy v. Bown* (59 L.T. 223).)

As to bankrupt, note effect as below.

The bill of sale does not defeat a right of distress.

(3) If the grantor shall fraudulently either remove or suffer the goods, or any of them, to be removed from the premises.

(4) If the grantor shall not without reasonable excuse, upon demand in writing by the grantee, produce to him his last receipts for rent, rates, and taxes. (*Ex parte Cotton* (11 Q.B.D. 301), see *Beckett v. Tower Co.* (1891, 1 Q.B. 638).)

(5) If execution shall have been levied against the goods of the grantor under any judgment at law.

The grantee's claim is good against the execution creditor, provided that the grantor may within five days from the seizure or taking of the chattels apply to the High Court, or a Judge thereof in Chambers, and such Court or Judge, if satisfied that by payment or otherwise the said cause of seizure no longer exists, may restrain the grantee from removing or selling the goods, or make such order as may seem just. (*Longdon v. Sheffield Deposit Bank* (24 S.J. 913).)

Upon seizure or taking possession the goods must remain on the premises where so seized or taken, and not removed or sold until after expiration of five clear days from the day of seizure or taking possession. (Section 13.)

Power of sale is implied after five clear days. (*Re Merritt* (18 Q.B.D. 222).) The grantor may consent to the goods being removed before the days have elapsed, and the landlord will have no claim against the grantee. (*Lane v. Tyler* (56 L.J. Q.B. 461), see *O'Neil v. City F. Co.* (17 Q.B.D. 234).) Five clear days means exclusive of day of seizure and day of removal.

Grantee's Security.

Although the grantee is to a certain extent secured his security may be diminished, or even become of no avail, viz.:—

(*a*) *As to Landlord.*

The landlord has a right of distress for rent accrued due, and may seize any goods, though comprised in the schedule. His right may be defeated by removal, with consent of grantor, before execution. (*Lane v. Tyler* (56 L.J. Q.B. 461).)

The landlord may only distrain upon things distrainable.

If goods are seized under distress, part of which are included in the inventory of the bill of sale, and part not, the grantee is entitled to benefit of marshalling of assets, so that the latter goods should first be applied to the distress. (*Ex parte Stephenson* (De. Gen. 586).)

(*b*) *As to Trustee in Bankruptcy of Grantor.*

By Section 7 the grantee may, if the grantor becomes bankrupt, seize the chattels, and, if necessary, assert his title as against the trustee, but that is because the goods are taken out of the apparent possession of the grantor.

By Section 20, Bills of Sale Act, 1878, chattels comprised in a bill of sale were not deemed to be in the reputed ownership clause of the Bankruptcy Act, 1883, Section 44 (2), but that section has been repealed, so far as conditional bills of sale, by Section 15, Bills of Sale Act, 1882, and by Section 3 of such only applies to absolute bills of sale. The result is that in absolute bills of sale the chattels are outside the reputed ownership clause, but in conditional bills of sale they come within such clause, and therefore would pass to the trustee, provided the conditions of such clause are fulfilled. (*In re Weib-King* (Mans).)

"Reputed ownership clause," Bankruptcy Act, 1883, Section 44.

All goods being at the *commencement* of the bankruptcy in the possession, order, or disposition of the bankrupt *in his trade or business* by the *consent and permission* of the true owner under such circumstances that he is the reputed owner thereof (provided that things in action other than debts due or growing due to the bankrupt in the course of his trade or business shall not be deemed goods within the

meaning of this section) are goods of the bankrupt and divisible amongst his creditors.

Evidence of a custom of a trade—well known—will defeat the clause. (*Crawcour v. Salter* (18 Ch.D. 30), *Ex parte Turquand* (14 Q.B.D. 636).)

Inspection.

Any person is entitled to search the registers on payment of the prescribed fee, and make extracts. (Section 16.)

Satisfaction.

When a bill of sale is satisfied, or the debt discharged, the Registrar, upon the prescribed evidence being given of the same, may order a memorandum of satisfaction to be endorsed on the registered bill of sale. (Section 15.)

The Chartered Accountants' Chess Club.

It is particularly requested that all Chartered Accountants (or, of course, articled clerks) desiring to become members of this Club should forward their names to Mr. H. J. Snowden, A.C.A., St. Michael's House, Basinghall Street, E.C., that they may have a personal notice of the general meeting, to be held in September or October next, sent them.

It may be mentioned that the number of members is rapidly rising, and includes the names of several well-known chess players. It is not the intention to have a club-room until the commencement of next season, but two or three matches will be arranged to be played shortly.

Assistant Paymasters, R.N.R.

A representative meeting of Assistant Paymasters, R.N.R., was held on Tuesday, 12th March, at the Institute of Chartered Accountants. The success of the inaugural dinner at Prince's Restaurant on 8th December, when many distinguished members of the service and other prominent gentlemen were present, was reported, and the accounts presented by the Entertainment Committee having been duly passed, a chairman and committee were elected for the ensuing year. Especial interest was shown, this being the first general meeting of members of this new branch of H.M. Service, which was formed under a special order in Council of 7th March 1904, and is open, subject to medical and general fitness, to members of the Institute of Chartered Accountants, Society of Incorporated Accountants, articled clerks, actuaries, members of the staff of Bank of England and other banks. At present the number of Assistant Paymasters, R.N.R., is limited to about 80. In proof of the popularity of this branch of the Royal Naval Reserve some 80 accountant officers at the present hold commissions.

Reviews.

The Annual Digest, 1906.

By John Mews, Barrister-at-Law.

London, 1907: Sweet & Maxwell, Lim.; Stevens & Sons, Lim. Price 15s.

Mew's Annual Digest for 1906 maintains its high standard of excellence and utility, and among the numerous cases reported there are several—such as *Ruben v. Great Fingall Consolidated Lim.; Davis v. Petrie; re Gladsir Copper Mines, Lim; and Re British Power Traction and Lighting Co.*—of particular interest to accountants.

A Handy Book on the Formation, Management, and Winding-up of Joint Stock Companies.

By F. Gore-Browne, M.A., K.C., and William Jordan.

London, 1907: Jordan & Sons, Lim. 27th Edition. Price 5s. net.

The popularity of this book is eloquently attested by the frequency of its editions, but its growing bulk is so phenomenal that there is, we suggest, a danger of its losing its most useful characteristic, viz., handiness. An interval of two years has seen the present volume increased by something like 100 pages, and in comparison, say, with the 20th edition, its bulk has almost doubled. At this rate of progress it seems inevitable that its authors will soon have to decide whether, to use a sporting phrase, they will declare to win on "handiness" or "completeness."

Revised Table A figures as the principal novelty in the present edition much in the same way as the Winding-up Rules of 1903 did in the preceding one; and the excellent notes appended to the various regulations cannot fail to tend to their elucidation.

The index is well arranged and easy to consult, but in view of the book's increasing magnitude it would, we suggest, be an improvement if it were less in the nature of an epitome and more in that of index proper. As an instance of what we mean we would allude to a sub-heading under "execution"

which consumes no less than three lines. The commencement of index titles with prepositions is also, in our opinion, to be strenuously avoided.

The Liverpool Society of Chartered Accountants.

THE annual meeting of this Society was held at the Library, 3 Lord Street, Liverpool, on Thursday, the 7th inst.

There were present: Mr. E. D. White, in the chair, Messrs. Wade, Blease, Denton, Glass, McNeight, E. P. White, and W. E. Mounsey (Hon. Secretary).

The Report and Accounts were adopted.

The following is the Report (the accounts are not published):—

The Committee have pleasure in presenting their annual report.

The number of members on the roll at the end of the year was 105, an increase of 10.

During the year the Committee have had before them several Bills which were before Parliament, which they considered affected the interests of the profession. Among these were the Public Trustee Bill, which they opposed, Limited Partnership Bill, and Trust Account Audit Bill.

The Prevention of Corruption Act has had the consideration of your Committee, and they are at the present time in communication with the Institute in order to obtain their views as to how it affects this profession when carrying on their duties as auditors.

The Committee prepared a report with reference to Bankruptcy Law Amendment, which was forwarded to the Council, and will be submitted before the Committee sitting on this subject.

A special meeting of the Society was held during the year for the purpose of pressing forward the registration of the profession of accountants.

The President of this Society gave notice of his intention to move a resolution at the annual meeting of the Institute. At the request of the President it was withdrawn. We understand that this matter is now having the serious consideration of the Council.

The annual dinner of the Society was held at The Exchange Station Hotel, on 15th November. The President of the Institute, W. B. Peat, Esq., F.C.A., and the Vice-President, J. B. Ball, Esq.. F.C.A., were present. The Committee regret very much that the members of this Society do not more heartily support these gatherings. The Committee invite representatives from all the leading Trade Associations in Liverpool, with a view to bringing our profession more prominently before them, and they feel that it is to the interests of the members of the Society that they should give the annual meeting their fullest support.

The Committee regret to record the death of Mr. W. R. Parkinson, F.C.A., one of the oldest members of the Society.

The retiring members of the Committee are Messrs. Blease, Mounsey, and Whinnerah. Under Article 33 Messrs. Blease and Mounsey are eligible for re-election.

It will also be necessary to elect another member in place of Mr. Whinnerah.

Nominations must be sent to the Hon. Secretary at least four days before the date of the meeting.

The Hon. Treasurer's Statement and Accounts will be submitted, duly audited, at the annual meeting.

E. D. WHITE, *President.*
W. E. MOUNSEY, *Secretary.*

Messrs. Blease, Mounsey, and Howorth were elected members of the Committee, and Messrs. Jackson and Dawson, Hon. Auditors.

A vote of thanks to the Chairman terminated the proceedings.

Meetings for the ensuing Week.

Tuesday—BIRMINGHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY.—Joint Debate with the Birmingham Law Students' Society, at the Law Library, Bennett's Hill.

Wednesday—LIVERPOOL CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Debate with the Liverpool Law Students' Association.

LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY.—Lecture, "Depreciation, with special reference to the Accounts of Local Authorities," by Mr. Lawrence R. Dicksee, M.Com., F.C.A., at the Hall of the Institute, Moorgate Place, E.C.; 6 p.m,

BRISTOL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "The Accounts of Professional Men," by Mr. M. Webster Jenkinson, A.C.A., at the Library of the Society, Albion Chambers; 5.30 p.m.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Joint Debate with the Sheffield Law Students' Society.

Thursday—LEEDS AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION.—Lecture, "The Accounts of a Builder and Contractor," by Mr. J. A. Walbank, A.C.A., at the Law Institution, Albion Place; 6.30 p.m.

Personal.

MR. JOHN STUBBS, of Messrs. JOHN STUBBS & FRENCH, Central Buildings, 41 North John Street, Liverpool, has been appointed Professional Auditor to the Licensing Justices of the Borough of Bootle Compensation Fund, under the Licensing Act of 1904.

MESSRS. JAMES WORLEY & SONS, Chartered Accountants, of 37 Lime Street, London, announce the death of their senior partner, Mr. JAMES WORLEY, on the 26th February last. The style and title of the firm will be continued as before, and the business will be carried on by the two sons of the deceased

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Mar. 8th, was 185, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 93; Deeds of Arrangement registered, 92. The respective numbers in the corresponding week of last year were: Bankruptcies, 100; Deeds of Arrangement, 90—total, 190; being a decrease of 5. The total number of commercial failures recorded during the 10 weeks of the present year is 1,548; the total number recorded in the corresponding 10 weeks of last year was 1,695, showing a decrease of 147.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Mar. 8th, was 163. The number in the corresponding week of last year was 190, showing a decrease of 27. The total number filed during the 10 weeks of the present year is 1,472; the total number filed in the corresponding 10 weeks of last year was 1,576, showing a decrease of 104.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Mar. 8th, amounted to £1,676,859, by way of addition to £3,924,848, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,350,040, showing an increase of £326,819. The total amount registered during the 10 weeks of the present year is £18,316,658 (in addition to the issues in previous years by the same companies), as compared with £14,892,326 for the corresponding 10 weeks in 1906, showing an increase of £3,424,332.

The Profession in Scotland.

Obituary.

The death is announced of Mr. Robert Reid, of Messrs. Reid & Mair, C.A., 40 St. Vincent Place, Glasgow. The news came with a shock of surprise to his many friends, as so lately as four days before his death he was at business apparently in his usual health. The following morning he felt somewhat indisposed, and a chill which he was found to have contracted developed into pneumonia. Everything possible was done to combat the malady but without avail, and he passed away on the 3rd inst. Mr. Reid, who was in his sixty-fourth year, was a native of Kirkintilloch. He began business as an accountant in partnership with the late Mr. Robert Alexander Mair in 1871, and very soon the firm had formed a large connection which was extended and consolidated in succeeding years. Mr. Reid was admitted a member of the Institute of Accountants and Actuaries in 1875, and he served for two terms on the Council. He took no part in public life, but he was widely known and held in high esteem in professional and business circles. He was a Justice of the Peace for the counties of Lanark and Dumbarton. He is survived by a widow and two sons, the younger of whom has been for some time a member of the firm.

Institute of Accountants and Actuaries in Glasgow.

The report by Mr. Alexander Sloan, C.A., the Secretary, for the year 1906 is as follows:—

The Council beg to submit their annual report.

The membership at 1st January 1906 stood at four hundred and seventy-nine. Three deaths took place during the year —viz., those of Mr. Archibald Francis Hamilton, Mr. George Gilfillan Vallentine (Johannesburg), and Mr. John Burnett Walker (Honolulu). Twenty-three new members were admitted in the course of the year, and at 31st December there were four hundred and ninety-nine on the roll. A statement of the membership will be found in the appendix.

The examinations under the General Examining Board were held in June and December as in former years.

copy of the Board's report is issued herewith, and a list of the candidates connected with the Institute who satisfied the examiners will be found in the appendix, along with a table showing the comparative results.

The number of entrants for the Preliminary Examination was one hundred and seventeen, being eleven less than in 1905, while for the Intermediate the number was one hundred and one (of whom fifteen were for re-examination), being five more than in 1905. For the Final forty-five candidates entered for the whole examination (of whom nine were for re-examination), and fifty-seven for one division only (of whom twenty-five were for re-examination), being an increase of forty-two on the total entry. Mr. John David Gatheral passed with distinction, and received the usual prize of £5 5s., the value of which he took in books.

The Tutorial Classes have been carried on as formerly, but the Council regret that there has not been a larger attendance during the year. These classes the Council believe to be of a highly educative character, and they strongly recommend them to all young men training for the profession.

The report of the Library Committee will be found in the appendix.

As in former years a short course of lectures was arranged for in the early part of the year, under the joint auspices of the Bankers' Institute and the Chartered bodies. The lecturer was Professor Nicolson of Edinburgh University, who chose for his subject—"Municipal and Public Finance." The lectures were delivered in the month of February, in Edinburgh, Glasgow, and Dundee, and were well attended.

The question of the preparation of a table of fees has engaged the attention of a Committee of the Council during the year. It has proved, as was anticipated, an arduous task, but the work has now reached such a stage as renders it probable that a report on the subject may be issued to the members before the quarterly meeting in April.

The Council have resolved to appoint annually Standing Committees of their number, with additions in certain cases from the general membership, to deal with the following matters, viz.: (1) Examinations; (2) Tutorial Classes; (3) Parliamentary and Law matters; (4) Professional Etiquette; (5) Library and Hall; and (6) Finance.

The members of Council who fall to retire at this time are Messrs. Robert Reid, R. C. Mackenzie, and Dugald Bannatyne. In terms of the constitution they are not eligible for re-election until the expiry of another year.

Four new members fall to be elected, and the Council recommend the election of the following gentlemen, viz.: Messrs. Patrick H. Aikman, J. C. Robertson (Dundee), Chas. D. Gairdner, and John T. Rankin.

In terms of the joint agreement, five members fall to be elected at the annual general meeting to represent the Institute on the General Examining Board. The present representatives, in addition to the President *ex-officio*, are Messrs. Ninian Glen, M.A., F.F.A., Joseph Patrick, M.A., Alexander Moore, Junr., John Mann, Junr., M.A., and Alexander Sloan. They are all eligible for re-election.

Three members also fall to be elected at the annual general meeting to represent the Institute on the Joint Committee of the English, Scottish, and Irish Chartered bodies. The present representatives are Messrs. Thomas Jackson, John Annan, and Alexander Sloan. The Council recommend the re-election of these gentlemen. The Joint Committee has not met since 21st June 1905.

Report by the Library Committee.

During the year 833 volumes and pamphlets, as detailed in the Quarterly Supplements, have been added to the Library. Of these 130 volumes were presented by the following members, societies, and others, viz.:—Messrs. William George Black, F.S.A.Scot.; Arch. Hewat, F.F.A., F.I.A.; A. K. Chalmers, M.D.; Thomas Adam, M.A.; T. S. Cree, LL.D.; Francis W. Pixley, F.C.A.; the trustees of Mrs. Honyman Gillespie, of Torbanehill; Chairman and Directors of Scott's Shipbuilding and Engineering Co., Lim.; the City Chamberlain, the Treasurer of the Clyde Navigation Trust, the Directors of Baillie's Institution, the Chartered Accountants Students' Society of London, the Council of the Institute of Accountants in Natal, and the following members:—Messrs. Bannatyne, Cadell, Clapperton, Forsyth, Guthrie, Alex. Macindoe, Mann, Junr., Moore, Junr., Naismith, and Sloan. The Committee desire to record their thanks for these donations.

The number of volumes borrowed during the year has been 3,484, being 1,222 more than in last year, and 2,067 more than in 1904—a result that is most gratifying to the Committee. The details of the different classes are shown in the following comparative statement:—

	1904	1905	1906
Bookkeeping, Accounting, and Auditing	506	911	1,045
Actuarial Science and Insurance	29	51	81
Law, including Income-tax ..	594	730	1,080
Economics, Banking, and Sociology	77	189	408
History, Travel, & Geography	25	100	279
Biography	38	141	333
General Literature	41	24	163
Miscellaneous	107	116	95
	1,417	2,262	3,484

The new catalogue was completed and issued during the year.

A Guard-book Catalogue, in seven volumes, is now in course of preparation, and will shortly be available for use in the Library. This Guard-book Catalogue embraces the entries in the printed catalogue, as well as entries for all books subsequently added to the Library, and it is proposed to have it kept up to date by the insertion of entries for all new books as they are acquired. The Committee anticipate that this catalogue will prove of great convenience and service to the members.

The cost during the year of new books (apart from periodicals and the cost of rebinding) has been £247 4s., against £168 os. 3d. and £201 9s 5d. in the two previous years.

The Committee have to thank a number of the members and apprentices for the assistance they have given by entering books in the Suggestion Book, and they would like to see still more use made of that book. The Committee endeavour to anticipate the general wants of the members, but suggestions by individuals are invaluable.

On behalf of the Committee,

T. A. Craig,

Convener.

TREASURER'S ACCOUNTS.

Income and Expenditure Account for the Year ending 31st December 1906.

Ordinary Expenditure.

	£ s d	£ s d
Expenses of Management:—		
Salaries—Secretary, Treasurer, and Auditor..	260 10 0	
Law Charges	4 19 0	
Printing, Advertising, and Stationery	88 5 1	
Sundries	47 11 9	
		401 5 10
Expenses of Examinations:—		
Proportion of General Examining Board's Expenses, payable by Glasgow Institute ..		105 0 5
Expenses in connection with Tutorial Classes:—		
Fees paid to Lecturers, and other Expenses ..	558 11 3	
Deduct Fees received from Students 476 7 4		
Less Amount applicable to next Session 18 15 8		
	457 11 8	
		100 19 7
Expense of Course of Lectures during Winter (proportion)		14 7 3
Expenses in connection with Official Directory..		29 12 2
Library:—		
Paid for Magazines, Re-binding Books, &c. ..		40 12 11
Government Corporation Duty		19 0 5
Expenses in connection with 218 St. Vincent St.:—		
Salaries..	150 10 0	
Fuel, Lighting, Cleaning, Repairs, &c... ..	275 16 9	
Rates and Taxes	127 11 8	
Insurance	14 13 6	
		568 11 11
Depreciation:—		
Heritable Property—Depreciation written off value of Buildings, viz., 1% on £9,091 8s. 6d.	90 18 3	
Furniture and Fittings—Depreciation written off value	111 5 5	
Library—Depreciation written off value, viz., 10% on £1,407 14s. 3d.	140 15 5	
		342 19 1
		£1,622 9 7

Ordinary Income.

	£ s d	£ s d
Annual Subscriptions:—		
491 Members at 21s., and Arrears collected, £3 3s.	518 14 0	
125 Associates at 5s., and Arrears collected, 15s.	32 0 0	
366 Apprentices at 5s.	91 10 0	
		642 4 0
Apprenticeship Dues		137 11 0
Revenue from Heritable Property:—		
Rent from the Institute of Bankers for joint use of Premises	120 0 0	
Rent of Hall for Mercantile Law Class ..	5 5 0	
Hire of Hall for Meetings..	33 12 0	
Rent of Stables	11 5 0	
Rent of Rooms as Stores	6 0 0	
		176 2 0
Dividends and Interest		259 1 0
Deficiency of Ordinary Income carried down ..		407 11 7
		£1,622 9 7

Extraordinary Expenditure.

	£ s d	£ s d
Deficiency of Ordinary Income brought down ..		407 11 7
Outlay on New Library Catalogue..	534 10 0	
Less Amount charged against previous years..	165 17 2	
		368 12 10
Expenses of further Cataloguing		61 8 1
Surplus for year, carried to Balance Sheet ..		375 9 0
		£1,213 1 6

Extraordinary Income.

	£ s d
Entry-Money:—	
23 New Members at £52 10s. each	1,207 10 0
Share of further Sales of "History of Accounting".. ..	5 11 6
	£1,213 1 6

BALANCE SHEET as at 31st December 1906.

Liabilities.	£ s d	£ s d
Capital:—		
As at 31st December 1905	24,939 14 2	
Surplus Income for year	375 9 0	
		25,315 3 2
Annual Subscriptions paid in advance		6 11 0
Tutorial Class Fees paid in advance		18 15 8
Amount due Treasurer	264 14 5	
Less in Union Bank of Scotland, Lim., on Current Account	4 12 1	
		260 2 4
		£25,600 12 2

Assets.	£ s d	£ s d	£ s d
Heritable Property:—			
Purchase Price of Subjects, 218 St. Vincent Street, as at 31st December 1898	9,578 14 5		
Cost of Alterations as at 31st December 1901	4,981 4 9		
	14,559 19 2		
Less Depreciation on Estimated Value of Buildings:—			
Written off to 31st Dec. 1905 .. .. .. £468 10 8			
For Year ending 31st Dec. 1906, at 1% on £9,091 8s. 6d. 90 18 3			
	559 8 11		
			14,000 10 3
Furniture and Fittings:—			
Amount thereof as at 31st December 1905 ..	1,586 11 11		
Amount paid during year	208 11 3		
	1,795 3 2		
Less Depreciation	111 5 5		
			1,683 17 9
Library:—			
Books, as at 31st December 1905	1,120 10 3		
Amount paid during year for Books	247 4 0		
Grant to Dundee Members for Purchase of Books	40 0 0		
	1,407 14 3		
Less Depreciation at 10%	140 15 5		
			1,266 18 10
Stocks and Shares at Cost:—			
£620 North British Railway Company 4% Preference Stock No. 2	822 0 2		
£1,200 Ditto ditto 3% Lien Stock ..	1,152 1 3		
£500 Ditto ditto 3% Debenture Stock	459 4 2		
£300 Glasgow & S.W. Railway Company 4% Preference Stock No. 2	391 3 3		
£200 Ditto ditto 4% Debenture Stock	285 6 1		
£625 Highland Railway Company 4½% Preference Stock	901 16 5		
£1,150 Caledonian Railway Company 4% Debenture Stock	1,498 2 7		
£800 Ditto ditto No. 1 Annuities Stock	1,007 15 3		
£1,500 Glasgow Corporation 3½% Irredeemable Stock	1,670 0 6		
£500 Ditto ditto 3% Stock (Redeemable 1921)	461 15 8		
			8,649 5 4
			£25,600 12 2

T. A. CRAIG, C.A., *Treasurer.*

GLASGOW, *14th January* 1907.

Examined and found correct.

JOHN WILSON, C.A., *Auditor.*

RESULTS OF EXAMINATIONS.

The following tables show the results of the Examinations and the number of candidates connected with the Glasgow Institute, as compared with the total numbers given in the General Examining Board's Report, and will be of interest to the members:—

Preliminary Examination.

	No. of Candidates	Passed	Failed	Per cent. of Failures 1906	Per cent. of Failures 1905
Total No. of Entrants..	160	104	56	35·	43·
From Glasgow	105	68	37	35·2	49·5

In addition to the candidates who passed this examination thirty-three apprentices were allowed exemption from it on production of the requisite School Leaving or other equivalent Certificates, of whom twenty-five were from Glasgow.

Intermediate Examination.

	No. of Candidates	Passed	Failed	Per cent. of Failures 1906	Per cent. of Failures 1905
Total No. of Entrants..	145	86	59	40·7	21·2
From Glasgow	100	55	45	44·5	20·8

Final Examination.

	1906		1905	
	Nos.	Per cent.	Nos.	Per cent.
Whole Examination.				
Total number of Candidates ..	84	..	66	
From Glasgow	45	..	29	
Of total number passed both Divisions	36	42·8	33	50·
From Glasgow	19	42·2	14	48·2
Of total number passed First Division only	28	33·3	13	19·7
From Glasgow	17	37·8	5	17·
Of total number passed Second Division only	2	1·2	0	—
From Glasgow	1	2·2	0	—
Of total number failed in both Divisions	18	21·4	20	30·3
From Glasgow	8	17·8	10	34·4
First Division Only.				
Total number of Candidates ..	26	..	22	
From Glasgow	20	..	11	
Of total number passed	16	61·5	15	68·1
From Glasgow	12	60·	9	81·8
Of total number failed	10	38·5	7	31·8
From Glasgow	8	40·	2	18·1
Second Division Only.				
Total number of Candidates ..	58	..	40	
From Glasgow	37	..	27	
Of total number passed	23	39·6	19	47·5
From Glasgow	16	43·2	11	40·7
Of total number failed	35	60 4	21	52·5
From Glasgow	21	56·8	16	59·2

Statement of Membership as at 31st December 1906.

Members at date of Charter..			54
Deaths to 31st December 1906			53
Original Member surviving at 31st December 1906			1
Members admitted since 1855 to 31st December 1905..	559		
Members admitted in 1906	23		
		582	
Deaths, Resignations, &c., up to 31st December 1905..	81		
Deaths during 1906	3		
		84	
			498
Total Membership of the Institute at 31st December 1906			499

The Bankruptcy Reform Movement.

A meeting of the East of Scotland Bankruptcy Reform Association was held on the 6th inst. at 5 St. Andrew Square, Edinburgh. Mr. H. W. Hunter presided, and explained that the object of these lectures was to make them all better acquainted with the present system of winding-up estates both in Scotland and in England, so that the best features might be taken from each, and the worst features of both avoided. The time appeared ripe for drastic changes in the systems of both countries. A paper was read by Mr. Harry L. Price, Manchester, on the subject of "English Bankruptcy Procedure." He described the relative Acts, and pointed out where certain reforms might be instituted. The Act for punishing fraudulent debtors, he said, was not, unfortunately, put into use as much as it might or ought to be, and the whole difficulty centred in the proof of the bankrupt's intent to defraud. It ought not to be for the creditors to prove that, but for the debtor to show that he had no such intention. He held that there should be an extension of the punitive powers contained in the Debtors Act. Particular care should be taken to make it an offence that proper books had not been kept, as was the case under the French law. Then the punishment should be short and sharp, for to leave a man undischarged was dangerous to the trading community. The net annual loss to creditors in England and Wales by insolvent estates amounted to nearly £9,000,000 per annum.

Aberdeen Chartered Accountants Students' Society.

Under the auspices of the Aberdeen Chartered Accountants Students' Society, Mr. James M. Dickie delivered a paper on "The Costing and General Management of Mining Accounts," in Messrs. Meston's office, Golden Square, Aberdeen, on the 7th inst. The paper was followed by an interesting discussion led off by Mr. P. Leask, M.A. Mr. George Smith, C.A., occupied the chair, and the lecturer was accorded a very hearty vote of thanks for his paper.

Bankrupt Estates and Poor Law Assessment.

The Parish Council of Edinburgh sued in Edinburgh Sheriff Court the trustees of the late David Forsyth, S.S.C., the holders of a bond over property, 9 St. Peter's Place, Edinburgh, for owner's arrears of poor rates, in respect that the owner had left Edinburgh after cessio had been granted, and leaving no estate. The bond-holders had sold the property, which realised less than the amount of the bond and interest. Sheriff Guy decided that as the 88th Section of the Poor Law Act *inter alia* provided that all assessments for the relief of the poor shall, in case of bankruptcy or insolvency, be paid out of the first proceeds of the estate, and shall be preferable to all other debts of a private nature due by the parties assessed the bondholders were liable. In his view, the heritable estate remained the estate of the debtor, and, on being sold, was being applied in payment of his heritable debt preferable as against other ordinary creditors, but that the heritable creditor was not entitled to the whole of the estate to the exclusion of the Parish Council, as the heritable creditor's debt was a debt of a private nature.

Scottish Insolvencies.

For the week ending 9th March the number of insolvencies reported in Scotland was 27, as compared with 33 in the corresponding week of last year. The trust deeds numbered 9, as compared with 15; the sequestrations 7, as compared with 7; and the petitions for cessio 11, being the same number as last year. The total for the ten weeks of the year is 266, as compared with 256 last year—the trust deeds numbering 128 against 117, the sequestrations 50 against 64, and the petitions for cessio 88 against 75. Of the 9 trust deeds reported during the week, 4 were granted in favour of Chartered Accountants. Six voluntary liquidations of limited liability companies were gazetted during the week, making 35 for the ten weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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The Chartered Accountants' Benevolent Association.

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Treasurers:
J. DIX LEWIS, Esq.
F. W. PIXLEY, Esq.
GERARD VAN DE LINDE, Esq.

Bankers:
WILLIAMS DEACON'S BANK, LIM.

During the year ended 31st March 1906, Relief was granted in 29 cases to the amount of £876 7s. 6d.

Donations and Annuities to necessitous Members are paid only out of the net Income received from Annual Subscriptions and Investments.

All Donations and Legacies are invested.

Members of the Institute of Chartered Accountants are earnestly requested to become Members of the Association.

MOORGATE PLACE, LONDON, E.C. GEORGE COLVILLE, *Secretary.*

The Accountant.

TELEPHONE No. 7321 CENTRAL. 34 MOORGATE STREET, LONDON, E.C.

THE ACCOUNTANT is printed and published in time for Friday Evening's Mail.

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS
AND
ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1685.] SATURDAY, MARCH 23, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt

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Leading Articles.

Bankruptcy Reform.—I.

OUR readers will not have failed to notice the interesting articles on Bankruptcy Reform by Mr. ALLEN EDWARDS, F.C.A., which we have been able to reproduce in our issues of the 2nd and 23rd ult. as a result of the courtesy of the editor of *The Jeweller and Metalworker*. Mr. EDWARDS has enjoyed considerable experience as a bankruptcy practitioner, and ir

connection with the jewellery trade that experience is probably unique. Very considerable interest thus attaches to his views upon the subject, for the requirements of the jewellery trade are in some respects exceptional, and thus can only be duly appreciated by one who has given much careful attention and consideration to the subject.

It is not our purpose to deal *seriatim* with each of the points put forward by Mr. EDWARDS, nor do we propose to take the present opportunity of dealing generally with the subject of bankruptcy reform as a whole, for we have already discussed the matter in general terms quite recently. Our present purpose is rather to draw attention to one or two of the more important points suggested by a study of these articles, and to consider how far certain recommendations (obviously made primarily in the interests of the jewellery trade) could, in practice, be embodied in any general scheme of legislation.

Taking first the paper which appeared in our issue of the 2nd ult., one of the principal suggestions is that bankruptcy practitioners should be compelled to take out annually from the Board of Trade certificates entitling them to act as bankruptcy trustees. We are not quite clear as to whether Mr. EDWARDS suggests that these certificates should be also compulsory in the case of trustees under private arrangements, but the need for some such measure of control is, of course, even greater there than in bankruptcy, where the same end is already served to a large extent by the power of veto possessed by the Board of Trade. We are inclined to think, however, much as we dislike unnecessary officialism, that the annual certificate arrangement would be preferable to the existing control by veto, as it would provide the Board of Trade with a convenient means of removing an unsatisfactory trustee in cases where absolute misconduct could not be conclusively proved, but where there was abundant evidence that the creditors' interests would suffer by his continuing in office. In this connection we would suggest that it might prove advantageous in practice if the various insurance companies were only required to give bonds for six months at a time. This would double their opportunities of reviewing their engagements, and, if they thought fit, declining to renew, thus establishing a more effective means of supervision and control over the financial status of a trustee after he had been once appointed.

The suggestion that the accounts of trustees under deeds should be subjected to the Board of Trade audit is, of course, not novel, but it represents one of the most urgent needs of the moment. The power of auditing accounts of transactions after the event is, however, of comparatively little value unless accompanied by some method of control over the original appointment of the trustee, upon the same lines as that obtaining in connection with bankruptcy. We are not at all sure that the simplest way of arranging this would not be to provide that all deeds purporting to assign property to a trustee for the benefit of creditors shall be deemed to be an assignment to the Official Receiver for the district, as trustee, unless prior to the execution of such deed the trustee nominated thereunder has given the security required by the Board of Trade, and received its certificate confirming his appointment. If such a provision were enacted, however, it would, of course, be necessary to add a further clause enabling the creditors to appoint their own trustee, in place of the

Official Receiver, upon lines similar to those obtaining in bankruptcy matters.

The recommendations with regard to discharge are worthy of careful consideration, although they hardly appear to us to entirely meet the case. Bearing in mind the enormous percentage of comparatively heavy failures on the part of aliens, we would suggest that in the event of an alien being adjudicated bankrupt, on his passing his public examination it should be the duty of the officer of the Court then presiding to forward a report to the Home Secretary reciting the circumstances of the failure, and recommending the expulsion of the bankrupt from this country; with a proviso that in the event of the creditors in the bankruptcy being paid in full, and the bankruptcy annulled, the order for the expulsion of the bankrupt—which would, in the ordinary course of events, follow upon the report to the Home Office—should be regarded as having been formally discharged. It seems to us that the expulsion of alien undischarged bankrupts would go far towards reducing preventable losses arising through insolvency; and so far as we can see there is, from a business point of view, no more undesirable class of alien than the typical one that comes over to this country with little or no capital, fails two or three times, and then returns to his own country with a competence. Prosecutions hardly meet the case: they are expensive and frequently abortive; while even where they are successful, and a short term of imprisonment is imposed, their effect is rarely deterrent, even upon the individual. Certainly, they have no deterrent effect whatever upon the class.

The Appreciation of Municipal Assets.

IN our issue of the 9th inst. we were able to place before our readers the full text of the paper on the above subject, read by Mr. FRANCIS G. BURTON, F.S.A.A., at a recent meeting of the Manchester Statistical Society, which has already excited a good deal of comment in these columns and elsewhere.

It hardly appears to be necessary for us to discuss this paper at length at the present time, inasmuch as its most interesting point is undoubtedly its references to the policy pursued by the Manchester Corporation—and, so far as we are aware, by the Manchester Corporation alone—of writing up its assets in accordance with the result of a periodical revaluation, and treating the paper surplus thereby shown as a profit available for the relief of rates. In his letter, which appeared in our issue of the 23rd ult., Mr. BURTON stated that the amount actually applied to the relief of rates is provided by revenue, and not by loans, and in support of that contention he mentioned that, although the amount applied in relief of rates in the Markets Department had exceeded the surplus income by £4,296, Revenue Account found the gold, as at the date referred to the Markets Committee had £2,611 10s. 6d at the bank and £2,504 11s. 8d. owing by Sundry Debtors. It seems to us that there is some confusion here. Profits represent the excess of earnings received, or shortly to be received, over current expenditure paid, or shortly to be paid; and thus, subject to a necessary fluctuation from time to time according as the floating assets and liabilities outstanding vary, surplus income or net profit—whichever it may be called—is represented for Balance Sheet purposes by a corresponding increase in the surplus of floating assets over floating liabilities, and ultimately by a corresponding increase in cash. Conversely, every increase in cash that is not the result of increasing fixed liabilities—*i.e.*, the

proceeds of a loan, or the result of selling fixed assets—must be brought about by net profits having been earned and realised; and this proposition is only subject to the qualification that temporarily an increased cash balance may be obtained by reducing floating assets or by increasing floating liabilities. Ultimately, however, whatever the precise position may accidentally be at any precise date, any money paid away in excess of true profits earned must have the effect of reducing working capital; and when working capital has been entirely depleted in this way, the only possible means of permanently providing the money necessary for a distribution in excess of true profits is either by selling fixed assets or by creating additional debt.

It is because unrealised profits, however real they may be as a question of value, are physically incapable of division, that it is, from an accountant's point of view, so highly objectionable that they should be divided. Such division can, in the long run, only have the effect of depleting the working capital of the undertaking and causing financial embarrassment. From one point of view it might be argued, following the theories advanced by many of our leading economists, that profit is the difference between the value of the capitalist's advances and the value of the returns—that is to say, the difference between the value of the amount of capital brought into the business and the excess of the value of the assets in the business over the liabilities of the business, allowing for any additions or withdrawals of capital that may have taken place in the meantime. But, however convenient this theory may be to theorists, those practical persons who desire to ascertain profits, with the object of learning how much they may safely withdraw from the business without crippling it for future operations, must adopt a different standard, and rigorously exclude from their calculations of profits all appreciations in value which, however real, will never be turned into cash, and therefore can never swell the amount of cash available for distribution.

We must confess that we are a little surprised that none of our Manchester readers should have taken part in the discussion on this point that has so far appeared in these columns. Presumably, some at least must consider the Manchester Corporation's methods of accounting sound, for the Council's accounts have for many years past been professionally audited, and as the system has invariably been to appoint the auditors for a term of years only, several Manchester firms must in consequence have considered and sanctioned the principles upon which municipal profits are there computed. It would be interesting to know whether it is suggested that in this respect the problems of corporation accounting differ altogether from similar problems in connection with business concerns, as it has already been argued by some that the municipal attitude towards the depreciation question is a problem distinct in itself; or, failing that, whether it is contended that the facts are not as has been stated by Mr. BURTON in his paper; or, yet again, that in some obscure way the Manchester Corporation possesses the power of applying moneys towards the relief of rates which have been or will have to be raised by means of further loans. Possibly there may be yet other arguments to be put forward in support of a system which *primâ facie* seems pernicious in the extreme; but, whatever the arguments may be, they ought, we think, to be disclosed, in justice to those responsible for

bringing about the present position of affairs; and we trust that some of these will sufficiently appreciate the importance of the matter to provide the necessary explanations, which we are convinced are as eagerly awaited by our readers as by ourselves.

Company Law Reform.

THE House of Lords on the 14th inst. passed the second reading of the Companies Bill, introduced on behalf of the Government by Earl GRANARD, which is stated to be founded upon the recommendations of the recent Company Law Amendment Committee. Another Company Bill has also been introduced by Lord AVEBURY, which, while less ambitious, is also a less controversial measure. The chief provisions of the Government Bill are apparently to require companies that do not issue a prospectus to file a statement containing the particulars that would have to be disclosed in a prospectus if one were published; to extend the requirements as to the registration of floating charges to mortgages or charges on land and on book debts; to remove doubts as to the validity of irredeemable debentures and debenture stock; to sanction the granting of options to purchase given to mortgagees or debenture-holders; to authorise the reissue of debentures surrendered or redeemed; and to render a contract to take debentures enforceable by an action for specific performance. Other provisions require the filing of an annual Balance Sheet; authorise the payment of interest out of capital during the construction of works; give power to the Court to relieve directors from the consequences of honest oversight, inadvertence, or error of judgment; and provide for the filing of certain information on the part of foreign companies establishing a place of business in the United Kingdom after the commencement of the Act.

It is, of course, impossible to discuss these various points in detail until the precise text of the Bill is available. We may mention, however, that that portion which deals with debentures and mortgages appears to be practically identical with the terms of Lord AVEBURY's Bill, which is supported by the Institute of Chartered Accountants, the Stock Exchange, and other important business interests. Lord AVEBURY is right, we think, in describing these provisions as pressing, and as uncontroversial; and if, therefore, there should be any difficulty in dealing with the Government's Bill as a whole during the present session, we trust that the smaller measure may be passed in the meantime, even if it be regarded as in the nature of an instalment only. The only obvious objection, which could be easily provided for by amendments which did not interfere with the principles underlying the measure, is that if a company were to be at liberty to purchase, pay off, redeem, or otherwise acquire its own debentures, and to vest these in trustees or nominees for the company pending reissue, it is conceivable that at times the voting power of debenture-holders might be controlled by the company, and this certainly would be a position liable to serious abuse that ought not to be permitted. Another point that, we think, ought also to be clearly settled is that where a company itself for the time being holds its own debentures by proxy, they certainly ought not to be stated on the face of its Balance Sheet as assets. They ought rather to be deducted from the liabilities' side, in the same way, and for the same reason, as calls in arrear are deducted from capital.

There will doubtless be a good deal of discussion before the Legislature sanctions the principle of requiring all companies to file an annual Balance Sheet, but, for our own part, we have always held that companies ought to be willing to pay a reasonable price for the privilege of limited liability; and certainly, in these days of Secret Reserves, judicially sanctioned, there can be very little force in the argument that the publication of its Balance Sheet might damage a company on account of the publicity thus given to its affairs. The whole object of filing a Balance Sheet is to prevent companies of no financial standing from enjoying a purely fictitious reputation. To that extent the provision would, it is to be hoped, cause damage in certain quarters; but that any reasonably safe company should suffer is, we think, beyond all question absurd. At the same time there is but little good in requiring an annual Balance Sheet to be filed, and of providing (as the 1900 Act already does provide) for an annual audit, unless some further steps be taken to ensure that auditors are both competent and independent. At the present time anyone may be the auditor of a company except one of its directors or officers; that is to say, so far as the law is concerned, a person who cannot even read or write would be eligible for appointment, as would also partners, or employees, or other dependents of the accounting parties. It will be of but little use to require that a Balance Sheet shall be filed annually unless provision is made at the same time for that Balance Sheet to be audited by someone appointed by the shareholders, wholly independent of the directors, who is possessed of the technical qualifications necessary to enable him to discharge his duties with advantage to the shareholders.

With regard to the requirement that information virtually equivalent to a prospectus shall in all cases be filed with the Registrar of Joint Stock Companies, we may point out that this is really only trifling with an admittedly serious abuse. The experience of the past six years has shown that where the requirements of the English law are sufficiently effective to prove inconvenient to dishonest promoters, they frequently evade them by registering outside the United Kingdom—a device which in no way interferes with their applying in the United Kingdom for subscriptions for capital, and places no bar whatever upon the shares being dealt with in the United Kingdom. So long as these abuses are allowed to continue, it is really waste of time to attempt to more effectively safeguard the interests of shareholders; for the only result of the attempt, if successful, will be to decrease the revenue earned by this country on registration fees, while unsuccessful attempts create a feeling of increased confidence which is entirely unjustified by the facts, and is therefore bad. We do not quarrel with the suggestion that something equivalent to a prospectus should in all cases be filed, so as to be available to all; but what we do say is that no Bill attempting to better protect unwary subscribers to new companies is worth the trouble of discussion that does not require *all* undertakings, wherever registered, to comply with these provisions before they are allowed in any way to offer their capital for subscription here, or to obtain an official quotation on the Stock Exchange for their shares or debentures.

Weekly Notes.

The Price of Consols. Last week the price of Consols fell to 84¼, being something like 5 per cent. less than the price obtaining twelve months since. A variety of explanations have been put forward with a view to accounting for the persistent depreciation in

our premier security, but probably one of the most reasonable explanations is the persistent, although careful, realisations that insurance companies have been effecting for many months past, in order to provide the necessary funds to meet the exceptionally heavy claims that have been made on them during the past twelve months. So long as the amount of stock in existence exceeds the amount which for the time being investors are anxious to hold, prices must drop, in accordance with the laws of supply and demand that affect gilt-edged and speculative securities alike. There is reason to suppose, however, that Government purchases of Consols, which may now be expected to take place upon a somewhat large scale, will have an improving effect. That the position is undeniably serious is shown *inter alia* by the statement made by the Chairman of the Merchants Trust, Lim., that while their return on home investments only averaged 3·51 per cent. per annum, their holdings, amounting to £364,000, had depreciated some £69,266 in the past eighteen years, whereas they had made a very substantial profit on their American investments. Such a position of affairs does not, of course, tend to encourage further investment in British securities, and this in its turn increases the existing depression.

The Manchester and District Society of Incorporated Accountants.

The twenty-first annual dinner of the Manchester and District Society of Incorporated Accountants was held last month at the Midland Hotel, Manchester, Mr. Henry Steele presiding. We have already referred in these columns to the presentation made to Mr. Arthur E. Piggott, to mark the Society's appreciation of his services as its Hon. Secretary during the whole of its existence, but we omitted to draw attention to another extremely pleasing feature of the evening. We refer to the toast proposed by Mr. Harry L. Price, the Vice-President of the parent Society, of "The Institute of Chartered Accountants in England and Wales," which was responded to by Mr. J. P. Garnett, the President of the Manchester Society of Chartered Accountants. Such incidents as this demonstrate most effectively the altered relationship that has of recent years obtained between Chartered and Incorporated Accountants.

Company Liquidation in Ireland.

Mr. Justice Barton had before him last month a petition for the compulsory winding-up of the National Insurance Company, which had been presented by certain shareholders. Apparently everybody agreed that there must be a winding-up, but the company opposed a compulsory order. In giving judgment, after a hearing which occupied seven days, his Lordship stated that it was important to bear in mind that the law as to company liquidation in Ireland materially differed from the English law, in that the Companies (Winding-up) Act, 1890, did not apply to Ireland. Accordingly, most English decisions, since that Act came into operation, were inapplicable. He pointed out that, when the English Courts made an order for the compulsory winding up of a company, they did so generally on the ground that the facilities for investigation afforded by the 1890 Act would be an advantage to the interested parties. If a winding-up order were made in Ireland, however, no such facilities would be provided, and he thought, therefore, that he ought to be guided by the attitude of the Courts in such matters prior to the 1890 Act being passed. He accordingly made an order that the company should undertake to proceed forthwith to wind up voluntarily in pursuance of the National Assurance Company of Ireland Act, 1906, and to agree to any order which the Court might make for continuing the winding-up under the supervision of the Court; and on the company so undertaking he directed that the petition should stand over pending the result of such proceedings, with liberty to the petitioners to apply in such winding-up or otherwise as they might be advised. This seems to be an entirely reasonable view to take of the position; for it is, of course, clear that under the 1862 Act a compulsory liquidation provides no possible advantage over a supervision order, while on the other hand the expenses and delays that it involves are far greater.

The Employers' Liability Insurance Companies Bill.

In another column of the present issue we reproduce the text of a Bill that has been brought in under the auspices of the Board of Trade and the Home Office to apply the provisions of the Life Assurance Companies Acts, 1870-72, to all companies carrying on the business of insuring employers against liability to pay compensation or damages to workmen in their employment. The Bill—which, we understand, will be pressed forward by the Government, and will probably come into operation on the 1st July next, when the Workmen's Compensation Act comes into force—requires all undertakings, other than mutual associations of employers, and underwriters, to conform to the provisions of the Acts referred to; save that, in the

event of a company already in existence proving to the satisfaction of the Board of Trade that the funds already set apart and secured for the satisfaction of claims of employers insured by the company amount to fifty thousand pounds, or in the case of a company that has already made a deposit in pursuance of the Act of 1870, the twenty thousand pounds deposit required by Section 3 of that Act shall be enforced. In the case of underwriters the deposit has been fixed at two thousand pounds. These provisions are excellent so far as they go, but it seems to us that they might, without any risk of serious opposition or objection, be further extended so as to apply to all companies or undertakings carrying on an insurance business of any description whatever.

Interest on Calls. In the case of *The Ashanti Consols, Lim. v. Carmichael*, which came before his Honour Judge Lumley Smith, K.C., in the City of London Court on the 12th inst., the Judge, while allowing the plaintiffs' claim in respect of unpaid calls, disallowed a claim for interest at 10 per cent. made in accordance with the company's articles of association, on the ground that the plaintiffs had allowed two and a half years to elapse before suing, and that they could not saddle the defendant with that responsibility for their own delay. It seems a strange doctrine that, where there has been a contract between parties that a debt shall carry interest, it should be held that the right to recover such interest is forfeited by delay in attempting to enforce payment of the principal sum. Were this doctrine to be generally extended, we do not quite know when it would be possible to successfully bring an action for interest. However, doubtless the decision was one of those compromises for which the County Courts are so celebrated.

Depreciation and Profits. According to a letter which appeared in a recent issue of *The Financial Times*, it appears that the directors of Ind, Coope & Co., Lim., admit that during the twenty years of the company's existence depreciation of leases by effluxion of time has accumulated to £84,000, none of which has ever been charged against profits. It certainly cannot be regarded as having been definitely decided that depreciation of leaseholds is not a proper revenue charge, but as the writer of the letter referred to says: Balance Sheets are not generally understood, with the result that the investing public often fails to distinguish between profits published and profits earned. Similarly, profits legally divisible and true net profits are very different things, but a company which deliberately distributes more than its true net profits must inevitably come to grief, even although throughout the whole of its career it may never have paid a dividend that the Courts would refuse to sanction.

The Calculation of Percentages. We propose to leave Mr. M. Webster Jenkinson to deal with the main subject in the letter from our correspondent "Multum in parvo," which appeared last week under the heading "*Re* Cost Accounts." In the meantime, however, we may point out that 50 per cent. on wages which amount to £100 is £50, and not £100; and that similarly 10 per cent. on a shop cost of £500 is £50, and not £55 11s. 1½d.

The Bankruptcy Law Amendment Committee. The Bankruptcy Law Amendment Committee is still continuing to hear evidence, and among other witnesses called has been Mr. Ernest J. Schuster, an English Barrister, and Doctor of Laws of the University of Munich, who gave evidence as to the bankruptcy ordinances in force in the German Empire, which he compared with the English system, particularly with respect to the punishment of debtors for misconduct.

The Long Vacation. The long-expected alteration in the date of the Long Vacation has at last been formally promulgated in an order in Council which was published in the *Gazette* last week. Henceforward the Long Vacation will commence on the 1st August, and terminate on the 11th October, thus removing the anomaly of a statutory Bank Holiday with the Law Courts in full swing. It must be admitted, however, that the anomaly only existed to the extent of creating the maximum amount of inconvenience without any corresponding advantage, for anyone who has the least experience of the Courts, and particularly of those proceedings which take place before Masters, will know that it has always been practically impossible to get any new work done during the two or three weeks before the Vacation commences. If that time were devoted to finishing up pending matters that were capable of being closed, there would perhaps not be much ground for complaint, but in point of fact little or no work was ever done during August, save that which was sufficiently urgent to make it suitable for the Vacation Court. The alteration of dates will, among other things, involve a change in the date of the provincial meeting of the

Law Society, which hitherto has been generally held in the second week in October.

Interest on Capital during Construction.

As is well-known, in the case of railway and other companies incorporated by special Act, the payment of interest on capital during construction is limited to a rate of 3 per cent., but Mr. Emmott, in the House of Commons last week moved to amend the Standing Orders by altering the rate from 3 to 4 per cent. He pointed out that, although he regarded the payment of interest out of capital as equivalent to watering stock, the system, if adopted, should at least be on adequate lines, and at the present rate promoters of enterprises which were not of a grossly speculative character were quite unable to raise the money they wanted. Various arguments were put forward in opposition to the suggested amendment, one speaker being of opinion that the change, if made, would stand for a good many years, while he hoped the present depression would not last long. Another member regarded it as faulty finance to tempt investors in the first place by a high rate of interest, and trust to luck in the future. Ultimately the amendment was carried by 195 to 58.

Company Meetings: A New Suggestion.

At the recent annual meeting of a well-known company, where internal dissensions have been much in evidence of late, a notice was exhibited outside the place of meeting, it is said, directing those shareholders who held over £10 worth of shares to sit on the right-hand side of the room, and those members holding less than £10 worth to sit on the other side. Is this separating the sheep from the lambs or the wheat from the cockle?

Railway Jobbery in the States.

Students of American financial methods are probably so accustomed by this time to stories of wholesale jobbery and commercial immorality *en prince* that perhaps the amazing evidence given by Mr. Harriman before the Inter-State Commerce Commission will leave them unmoved. We need not dilate upon the circumstances of the Chicago and Alton deal and the Union Pacific operation—they truly speak for themselves in an unmistakable manner—but there is just one point to which attention may be directed. When Mr. Harriman was asked how it was that the 300,000 shares of Southern Pacific stock, which were transferred by the Union Pacific to Mr. William Rockefeller in 1903 in order to avoid certain legal technicalities in the Keene suit, still stood on the company's Balance Sheet as a free asset, he is reported to have answered that, although the Balance Sheet was dated June 30th, it was not published in the annual report until November, by which time the stock had been returned. The company's bookkeepers had, therefore, been instructed to enter the item in the Balance Sheet at June 30th as it existed at the subsequent date. Opinions may differ as to whether such instructions should ever have been carried out by bookkeepers worthy of the name, but we may, perhaps pertinently, ask, what were the auditors doing? The possibilities in the way of cooked reports of this kind need hardly be indicated to our readers.

Cheques and the Gold Reserve.

Mr. A. H. Gibson's suggestion that cheques should be debited as from date of drawing, and that the accumulations of interest should form the nucleus of a gold reserve, which we noticed in these columns a fortnight ago, is subjected to some severe criticism by a correspondent of *The Financial News*. It is said that the custom of debiting cheques as from date of drawing is an ancient one, and is still in use where customers do not, through ignorance presumably, object. Another point is made to the effect that as banks are so many private concerns keenly in competition with each other, and with varying terms as to the conduct of accounts, it would be absurd to place them all on a uniform system of legislation. In addition to this, it is remarked that the suggested scheme would be an imposition on customers, for "90 per cent. of cheques in circulation "are cheques passing through individual banks, and "are cheques other than those of the bank they are "drawn upon. As the drawer pays his commission for "banking facilities and the payee is charged for "'clearing' when paying 'in' his cheques, the fact of "debiting cheques from date of drawing would be "further penalising the drawer."

Postal Order Issues.

In the course of a printed reply to a question put in the House of Commons by Mr. Field, the Nationalist member for the St. Patrick's Division of Dublin, the Postmaster-General states that the aggregate value of the postal orders issued during the financial year 1905-6 was £36,239,000 and £1,780,000 in Great Britain and Ireland respectively. It will be noticed that nothing is said about money orders, and as this form of remittance is likely to hav

been generally used for sums over £1, the information as to the aggregate value, and average amount, would be interesting.

Debenture Reform. A correspondent of a financial contemporary, in the course of an interesting letter, points out that, in connection with Lord Avebury's Debenture Bill, if surrendered, purchased, or redeemed debentures are to be vested in trustees for or nominees of the company pending reissue, as Section 2, sub-section (*a*) suggests, then the voting power might be materially affected so that the trustees or the nominees in question would have the other debenture-holders more or less at their mercy. This difficulty might, of course, be easily overcome by withdrawing the voting power from such debentures as were not actually *issued* for a consideration, but the matter should be dealt with in the Bill itself, and it may be noted for the committee stage of the measure.

Current Law.

BANKRUPTCIES AND INSOLVENCIES.

In re Van Laun; ex parte Chatterton. C.A.

Held, upholding decision of Bigham, J. (*Accountant* Law Reports, XXXV., p. 78), that a trustee in bankruptcy is entitled to see detailed bills of costs in support of a solicitor's claim, notwithstanding the fact that such costs have been previously agreed by the bankrupt.—(*Times*, March 19.)

RECEIVERSHIPS.

In re The Rhodesia Goldfields, Lim.; Partridge v. The Company and another. Swinfen-Eady, J.

Held, that where there is a deadlock in the administration of a company, the Court may appoint a receiver for debenture-holders although there has been no default in the payment of principal or interest on the debentures.—(*Times*, March 16.)

NOTICE.

NEXT FRIDAY being GOOD FRIDAY, Letters to the Editor, as well as General Matter, must be delivered not later than the last post on TUESDAY next, if intended for current issue. The Offices will be closed from the 29th March to the 1st April, both inclusive.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Income Tax Abatements.

(*To the Editor of The Accountant.*)

SIR,—The following little mnemonic has just occurred to me, and thinking it might be useful to your younger readers, especially to those preparing for their examinations, I venture to send it to you for insertion in *The Accountant*, should you think it worthy of publication.

The method of arriving at the abatement is very simple, and consists in cutting off the final nought of the *income* and multiplying by 1, 2, 3, and 4 respectively, as shown below:—

Amount of Income £		Amount of Abatement £
70Ø × 1	=	70
60Ø × 2	=	120
50Ø × 3	=	150
40Ø × 4	=	160

In other words, it may be expressed as follows:—The amount of abatement is $\frac{1}{10}$th, $\frac{2}{10}$ths, $\frac{3}{10}$ths, and $\frac{4}{10}$ths respectively of the income.

I remain, Sir, yours faithfully,

S. H. PUGH.

Income Tax Surveyors and Balance Sheets.

(*To the Editor of The Accountant.*)

SIR,—On the 20th October last, in reply to a correspondent, you stated that, in your opinion, there was no reason why a copy of the Balance Sheet should not be produced to the Surveyor in addition to the Trading Account, and refusal to submit such balance might be reasonably interpreted as a ground for suspicion as to the accuracy of the return.

Some clients of ours who objected to produce a Balance Sheet received from the Surveyors a typewritten copy of this article, your opinion evidently being

regarded as convincing evidence of the propriety of the request.

Although personally I believe in affording all information to the Surveyor to enable him to properly assess the parties liable for tax, yet I do think the production of a Balance Sheet is unnecessary, and a demand upon the taxpayer which he should not be called upon to supply.

In the case of an appeal these Balance Sheets would, I presume, be produced to the local Commissioners, whilst there is always a certain risk that some of the staff may have an opportunity of perusing the same.

I know of a case where the taxpayer has been on the verge of insolvency for some years, although reputed to be in a good financial position, and the slightest hint of his precarious state might result in immediate disaster.

No doubt your readers have many similar cases, where it would be most undesirable for any third parties to see a Balance Sheet.

If a Chartered Accountant produces a detailed Trading Account and certifies that no deductions have been made other than those legally chargeable, surely the Surveyor should not require a Balance Sheet in order to ascertain that the balance of the Profit and Loss Account, stocks, and depreciation, do actually agree with the figures in the Trading Account.

In my opinion all that the Surveyor could reasonably demand would be a certified extract of the Balance Sheet containing certain particulars as to loans, &c., which should surely suffice.

Of course, in the case of public companies there can be no valid objection, but for private traders I consider the request unreasonable.

The great outcry against income-tax is not so much against the tax itself as against the machinery, the British public resenting any prying into their private affairs. The days of the Inquisition are over; we do not wish it to return in another form in this country.

I should be glad to learn the practice adopted by your readers in connection with this matter, as I think some uniformity should exist.

Personally I have arranged, in the case of private concerns, to produce a Balance Sheet to the Surveyor, but not to leave a copy with him, and as I have always found the Surveyors willing as far as possible to deal amicably with members of our profession, I have no doubt that other Surveyors will be willing to do likewise.

Yours truly,

M. WEBSTER JENKINSON,

Sheffield, 18th March 1907.

Income Tax and House Duties.

(To the Editor of The Accountant.)

SIR,—We have several appeals against the assessments for Schedule A and I.N.D. pending, particularly with regard to the annual value of licensed premises.

One Surveyor of Taxes contends that the annua value shall be based as follows:—" Rent paid by the " tied tenant to the brewery company, plus the differ- " ence in discount on draught beer receivable by the tied " tenant, and the discount which would be received by " the tenant if the house were free—basing his calcula- " tions on the assumption that 25 per cent. discount " would be obtained by a free tenant."

In our opinion, however, there are other important factors which should be taken into consideration, and we think that due regard should be paid to the position, district, expenses of management, and other items.

We quite understand that the decisions in *Walker v. Brisley* and *Grinter v. Fleming* give the Local Commissioners the power to demand such evidence and facts as they think fit, but we think that they should admit, and fairly consider, all evidence brought before them, and pay regard to matters other than annual trade or turnover.

In one particular case we think the Surveyor's contention unjustifiable. The facts are as follow:—Up to March 1906 a certain hotel was free, and the rental was about £100. The house was assessed at the annual value of £120 gross, which was deemed ample by the local authority, and also by the Surveyor and Commissioners of Taxes.

As on 25th March 1906 a brewery company bought and took possession of the premises, and increased the rent of the tenant to £200. The Inland Revenue authorities immediately increased the assessment to £400 gross, against which we desire to appeal. At this period no structural alterations had been made.

We shall esteem it a favour if you will kindly instruct us upon the law in question, giving us chapters of the Acts relating to the matter, and also giving name

similar decided cases, and if you can give us any general advice we shall be glad.

Yours faithfully,

19th March 1907. ANXIOUS.

Computation of Commission.

(*To the Editor of The Accountant.*)

SIR,—In reply to "East Anglian's" letter in this week's issue, I think it is probable that general professional opinion would, in the case he brings forward, be on the side of the directors. The manager is certainly unable justifiably to complain of not receiving 10 per cent. on *net* profits, for, in demanding it on the £1,000 supposed, he is obviously doing so on what, so far as the item of his commission is concerned, is quite plainly *gross* profit.

Yours faithfully,

16th March 1907. F. U. WILHELMY.

(*To the Editor of The Accountant.*)

SIR,—Following the letter of "East Anglian" in yours of 16th inst., I wish to put an inquiry on the same subject.

A trading company I have to do with engaged a manager upon an agreement under which he was to receive a fixed salary, and in addition a commission each year end on net profits.

The manager contends that Preliminary Expenses, Directors' Fees, and Income-tax should *not* be charged before assessing his commission.

Your readers may know of some useful precedents.

Yours truly,

19th March 1907. LANCASTRIAN.

Goodwill.

(*To the Editor of The Accountant.*)

SIR,—Whilst reading Mr. Dicksee's book on Goodwill it has occurred to me that it is presumed that the incoming partner possesses some or an equal knowledge of the business as the person with whom he proposes going into partnership. What would be the number of years on the basis of the profit of which the goodwill to be paid is arrived at, if the person desirous of becoming a partner in a business of a highly technical nature possessed no knowledge of it whatever? Perhaps some of your readers can enlighten me on this point.

Yours faithfully,

H. H. K.

[In the nature of things there can be no rule.—ED. *Acct.*]

Re Cost Accounts.

(*To the Editor of The Accountant.*)

SIR,—In reply to your correspondent "Multum in Parvo" I certainly fail to see how he arrives at the figures given in his letter.

50 per cent. on wages £100 is £50, and cannot possibly bring any other result; whilst 10 per cent. on £500 is £50, and not £55 11s. 1½d.

It would appear, however, that he bases his calculations in the first case on the *shop cost after* the addition of the shop oncost, and in the second case on the *total cost* instead of on the shop cost.

As I stated in my paper, to arrive at the percentage required a certain turnover must be assumed, and the *percentage* based on the estimated wages for the year. If, therefore, "Multum in Parvo" has to provide the same amount for shop expenditure as for wages, then the percentage required will be 100 per cent., and not 50 per cent. as he suggests.

To arrive at the same result which he obtains, presuming, of course, that the shop and establishment expenses are proper estimates, the percentages will be as follows:—

	£	s	d
Prime Cost—			
Materials	300	0	0
Wages	100	0	0
	400	0	0
Shop Oncost 100 per cent. on Wages ..	100	0	0
Shop Cost	500	0	0
Office Oncost 11·11 per cent. on Shop Cost	55	11	1½
	£555	11	1½

Yours faithfully,

M. WEBSTER JENKINSON.

Sheffield, 18th March 1907.

Chemical Manufacturers and Depreciation.

(*To the Editor of The Accountant.*)

SIR,—I shall be much obliged if any of your readers can inform me what is the usual rate of Depreciation which chemical manufacturers write off their plant.

I refer more especially to the plant used in the manufacture of acids. The depreciation must be heavy in cases of this description, and I should like to know from the experience of other Chartered Accountants what is actually written off by the firms in the trade.

If also they can tell me what rate the Income-Tax authorities allow for depreciation I shall be still further indebted to them.

Thanking you in anticipation,

I am, yours truly,

18th March 1907. ENQUIRER.

Reviews.

Bookkeeping for Executors and Trustees.

By L. Whittem Hawkins, A.C.A.

London, 1906: Gee & Co., 34 Moorgate Street, E.C. Price 3s. 6d. net.

This interesting handbook is apparently designed primarily to meet the needs of persons, not skilled accountants, who may find themselves in the position of executor or trustee, and for this purpose it is admirably designed. At the same time Intermediate candidates, particularly those who have no previous knowledge of this subject, will find much that is both useful and instructive in Mr. Hawkins' work, which includes *inter alia* a fully worked out example, together with a good deal of useful information on the more elementary principles of law involved in the preparation of such accounts.

Office Organisation and Management, including Secretarial Work.

By Lawrence R. Dicksee, M.Com., F.C.A., and Herbert E. Blain.

London, 1906: Sir Isaac Pitman & Sons, Lim., 1 Amen Corner, E.C. Price 5s. net.

We gather that the object of the authors of this volume has been to provide business men with a practical handbook of reasonable proportions to which they may refer from time to time for information upon matters ordinarily arising in the management and general conduct of the office work in connection with any ordinary class of business; but a distinct and commendable feature of the work is that, although it necessarily deals at some length both with questions of account and questions of law, it makes no attempt to encourage the business man in the belief that by its aid he may dispense with competent professional assistance and advice. An enormous amount of useful information is comprised in the three hundred pages of which the work consists, and as the chapters dealing with legal matters have been revised by Mr. Frank Tillyard, M.A., lecturer on Commercial Law at the University of Birmingham, they may safely be regarded as quite as reliable as the remainder of the volume. A special feature of the work is the provision of facsimile forms as insets wherever such forms appear likely to give a clearer idea than *pro formâ* rulings inserted in the body of the text. As these insets are all drawn to scale, and are for the most part full size, the advantage of this treatment is obvious.

The "Gas World" Analyses of Accounts of Gas Undertakings, 1905-6.

London, 1907: John Allan & Co., 3 Ludgate Circus Buildings, E.C. Price 7s. 6d. net.

The statistical information provided by this work, which has now reached its fourth year of publication, is, of course, of especial value to those practically connected with the manufacture of gas and the management of gas works; but probably many others will find the particulars provided of considerable information, affording as they do a means of readily comparing the results produced by individualistic companies and by local authorities. The accounts analysed relate to 114 separate undertakings, of which 64 are owned by local authorities, and 50 by gas companies, and it is of interest to observe the extraordinary variation that obtains in the working costs under practically every heading. Among other items we note that the cost of maintenance per thousand cubic feet of gas sold varied from 0·66d. in the case of the Perth Corporation to 8·63d. in the case of the Farnworth Gas Company. A casual inspection of the figures suggests that where the cost is distinctly above the average the undertaking is owned by a company, and that where the cost is below the average, the undertaking is owned by a local authority. The explanation can hardly be that the local authorities are able to a corresponding extent to get more value for their money, but in the nature of things no very useful conclusion can be drawn by the comparison of a single year's figures.

The Accounts of Professional Men.

By M. Webster Jenkinson, Chartered Accountant. (*Sheffield*).

A paper read before the members of the Leeds Chartered Accountants Students' Association on 7th March; the Kingston-upon-Hull Chartered Accountants Students' Association on 13th March; and the Bristol Chartered Accountants Students' Society on 20th March 1907.

"If to do were as easy as to know what were good to do, chapels had been churches, and poor men's cottages princes' palaces."

The accounts of professional men present no *theoretical* difficulties.

To institute a system of accounts for the average professional man, and to induce him to follow out such system, is, however, fraught with many *practical* hindrances; for, alas! "to do" is not, in this case, "as easy as to know what to do."

Most professional men have a kind of intuitive dread of bookkeeping. They regard it as an unnecessary waste of time; they cannot appreciate the advantages of "double entry"; they are perfectly content if their Bank Book shows a substantial balance in their favour, and their assistants do not require large increases in their salaries.

Perhaps on certain unpleasant occasions when the income-tax surveyor is unusually pressing in his attentions they have vague notions of making a fresh start; perhaps when enjoying the married man's usual grumble at household expenses they determine to keep a complete set of books showing an analysis of all their expenditure; but, generally speaking, happily content in the time-honoured maxim, "Where ignorance is bliss 'tis folly to be wise," they blunder along in the same old way as of yore, merely keeping a list of the bills they send out, which they mark off with a big "Paid" when the cash is received, and otherwise entirely depending on their bankers for a proper record of their financial transactions.

With the exception of the members of the legal profession, and, of course, accountants, such is the system of bookkeeping of most professional men.

To-night, however, I do not intend to deal with the subject from *this* practical standpoint; rather shall I hover around the idealistic; and though I cannot accomplish that, yet, maybe, I shall be able to give you some hints that you may deem worthy of use on a future occasion when endeavouring to institute a system of accounts for a professional man.

Neither do I propose to deal with all the professions—their name is legion—but shall content myself with a brief reference to the two recognised professions of law and medicine, and the one deserving of recognition followed, or some day to be followed, by our noble selves.

But enough of this introduction, for, prologue like, I but begin my story—

> Thoughts are but dreams till their effects be tried,
> My tale is long—its scope is still more wide;
> Though some, no doubt, would wish it were more short,
> I shan't have time to say all that I ought.

SOLICITORS' ACCOUNTS.

The trader whose assets are sufficient to pay his creditors 20s. in the £, and who neglects to keep proper books of account, may do an injustice to himself, but the rights of others are not affected. Foolish he may be, and undoubtedly is, but he alone pays the penalty of his folly. A solicitor, however, is on a different footing. To him is entrusted the property of his clients, and he is guilty of something more than negligence if he fail to keep a proper record of his stewardship.

Only within very recent times has the legal profession awakened to a sense of its responsibility in this direction; only after many salutary lessons has it recognised the necessity of correct and proper accounting; even now it has much to learn.

In many of the largest offices the Journal is the only book of first entry; every item—Cash, Bank, and Charges—is separately journalised; modern methods receive but scant consideration at their hands. Yet the importance of a proper system of bookkeeping cannot be too much impressed upon the legal profession. Solicitors often receive large sums of money from their clients which they keep on hand, sometimes for a long period, until suitable investments are found; whilst disbursements of no inconsiderable amounts have regularly to be made, which may easily escape the notice of the bill clerk when the matter is closed, perhaps, some years after. It is essential, however, that the system adopted be as simple as possible, although efficiency must not be sacrificed for the sake of economy.

The bookkeeping of a solicitor may be divided into two sections, viz.:—

(1) The record of the services rendered to clients.
(2) The record of the monetary transactions with clients and third parties.

As accountants we are more concerned with the record of the monetary transactions than with the method adopted to compile the bills of costs, therefore we will first consider the subject from the standpoint of the greater import to ourselves.

The cash transactions of a solicitor will, *inter alia*, embrace the following:—

Receipts—

(1) Moneys from clients for investment.

(2) Interests on Mortgages.

(3) Ground Rents.

(4) Loans repaid.

(5) Insurances.

(6) Costs.

Payments—

(1) Investment of clients' moneys on mortgage or otherwise.

(2) Interests and Ground Rents received, paid over.

(3) Disbursements for Clients.

(4) Repayment to Clients of Loans, &c.

(5) Office Expenses.

(6) Drawings.

Much difference of opinion exists as to the form of Cash Book and the method of dealing with clients' money. Some strongly advocate the dual Bank Account—that is to say, a separate account for moneys received from clients. Others think that there is no advantage to be gained by this course, and contend that if a solicitor wishes to use other people's money for his own purpose he will do so, whether there are two or a dozen separate banking accounts.

Personally, I prefer the first method, not only because it more clearly shows the moneys in hand on account of clients, but also because in reality it simplifies the work of the office; for supposing, for example, a client applies for a temporary advance, the principal can at once decide whether or not he has funds of his own available to comply with the request.

The clerical working of the two accounts involves no extra labour, a simple adjustment at the end of each month for items due from one account to the other being all that is necessary.

Separate Bank Accounts should be opened for each trust estate, and a distinct set of books kept. This not only considerably simplifies the bookkeeping by reducing the number of entries, but also prevents errors and makes the winding up of each estate much easier. Very frequently these Trust Books are written up by Chartered Accountants and the fees charged against the estate, this method being of advantage to both solicitor and client.

The form of Cash Book used by solicitors varies considerably, but, generally speaking, the most convenient method is to use a Cash Journal—usually known as Kain's System—this book being a combination of Cash Book and Journal.

Some solicitors enter *all* transactions through this medium, but in practice it is better, in my opinion, to use separate books for Costs, Insurances, and Expenses for which accounts are opened, the form I recommend being ruled as follows:—

Form 1.—

Dr. CASH JOURNAL. *Cr.*

Date	Particulars	Account to be Debited	Account to be Credited	Amount to be Debited			Office	Disbursements Ledger			Bank		Cash	Cash	Bank		Office	Amount to be Credited		
				Lr. Fo.	Amount			Fo.	Amount		Own A/c	Clients A/c			Own A/c	Clients A/c		Lr. Fo.	Amount	
					£ s d		£ s d		£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d		£ s d	

Each item is entered in chronological order, full details being shown in the "Particulars" column, and the names of the accounts to be respectively debited and credited entered under the headings provided for the purpose.

The "Office" column is for expenses incurred not chargeable to any particular client, all other disbursements being entered in the "Disbursements for Clients" column. To take as examples the usual cash transactions previously mentioned—

(1) *Moneys from Clients for Investment.*—If paid into the bank the *Bank Clients' Account* would be debited and *client* credited, the amount being entered in the right-hand outside column. If placed on deposit an entry would be made in the *Account to be debited column* and *Bank Deposit Account* debited, the client being credited as before.

(2) *Interests on Mortgages.*—When received *Cash* would be debited and the account in the *Mortgage Ledger* credited (*vide infra*). When paid into Bank *Cash* would be credited and *Bank Clients' Account* debited. In practice, however, it is usual to pay all moneys intact into the bank, full details being shown on the counterfoil Paying-in Slips, therefore the debit to the bank can be made direct without entering the amount received in the Cash columns.

(3) *Ground Rents.*—These will be entered in the same way as mortgage interests.

(4) *Loans Repaid.*—*Cash* or *Bank* will be debited and the mortgagee credited. If a loan from the office, the mortgagor's account will be credited, as he previously appeared as a debtor for the amount of the loan.

(5) *Insurances.*—The cash received will be debited to Cash and credited to the Insurance Book (Form 6) or Ledger Account.

(6) *Costs.*—All moneys received for costs will be debited to the *Bank—Own Account* and credited to the client. If, however, no bill has been delivered, as, for example, Fees for Oaths, &c., then the amount will be credited to "Office."

Payments—

(1) *Investment of Clients' Moneys on Mortgage or Otherwise.*—When the money was received it would have been paid into the *Bank—Client's Account* and credited to the client. Therefore a cheque will be drawn on this account and debited to the *client, not* to the person to whom the money was actually paid, but to the person on whose behalf the payment was made, otherwise in the Ledger the client would still appear as a creditor and the payee as a debtor.

(2) *Interests and Ground Rents Received, Paid Over.*—A cheque will be drawn on *Clients' Account* and debited to the accounts in the Mortgage Ledger, as explained later.

(3) *Disbursements for Clients.*—The amount of the disbursement will be entered in the *Disbursements for Clients* column, and posted from thence to the Disbursements Ledger, being credited to Cash or Bank, as the case may be. Most of the small disbursements will, however, be found in the Petty Cash Book.

(4) *Repayment to Clients of Loans, &c.*—As the client would be credited when the money was received his account must now be debited.

(5) *Office Expenses.*—These will be entered in the "Office" column on the debit side and credited either to Cash or Bank. At the end of the month a summary will be made, and the amounts shown in this analysis debited to the Nominal Accounts. Usually an Expenses Journal (Form 9) will be kept, and an account opened for each creditor in the Ledger. In this case any payments will be entered in the *Amount to be debited* column, and posted to the creditor's Ledger Account.

(6) *Drawings.*—These will be debited to *Drawings Account* in the Private Ledger.

There are transactions, however, other than cash, which are dealt with through this medium.

Any allowances off bills of costs are entered in the "Amount to be credited" column and posted to the credit of Clients' Account, being debited to "Office." Bad Debts are dealt with in the same way; in fact, all transactions which cannot be conveniently dealt with through any other medium find a safe resting place in that usual home for such incorrigibles—the Journal.

It will be seen, therefore, that the "Amount to be debited" column gives the total amount of the items debited to the Ledger Accounts each month, and the "Amount to be credited" column the total credits to the Ledger. Items posted to the Disbursements Ledger are shown separately, so that the total under this head can be ascertained.

The "Office" columns shows the actual office expenses on the debit side, and costs, &c., for which bills have not been delivered on the credit side.

The balance standing to the credit of the two Bank Accounts is ascertainable at any time, together with the amount of cash in hand. The Cash columns might almost be dispensed with, but occasionally entries have to be made therein, so it is desirable to retain them.

As each item has been entered once to the debit and once to the credit, it follows by an axiom in Euclid, which it is not necessary to here repeat, that the monthly total of debits must equal the total credits.

Petty Cash Book.

In the words of the examination candidate, "this should be kept on the Imprest System." Comparatively large payments will have to be made by the petty cashier, as practically all the disbursements and expenses paid in cash will be made by him.

The Petty Cash Book will be ruled as follows:—

Form 2.— PETTY CASH BOOK.

RECEIPTS.			PAYMENTS.											
Date Received	C.B. folio	Amount	Date Paid	Particulars	Voucher No.	Amount	Salaries	Stamps and Telegrams	Stationery	Incidental Expenses	Disbursements for Clients		
											Name of Account	Led. folio	Amount
		£ s d				£ s d	£ s d	£ s d	£ s d	£ s d			£ s d

All payments directly chargeable to clients are posted to the Disbursements Ledger from the column provided for the purpose. Other payments are analysed according to their nature, and the monthly totals debited to the respective Nominal Accounts. The petty cashier receives a round sum from the cashier at the beginning of the month, and draws further sums from time to time as required, receiving a cheque at the end of the month to bring the amount in hand up to the same sum with which he commenced the month.

It is usual for the petty cashier to present his Cash Book to the principal each month for him to examine the payments made and initial the totals, if correct.

In large offices a cheque will be drawn for the exact amount required for salaries, and the posting to the Nominal Account will then be made direct from the Cash Journal.

Disbursements Ledger.

It has been explained that all disbursements on account of clients are posted from the Cash Journal or Petty Cash Book to an account in a Disbursements Ledger.

This is ruled as follows:—

Form 3.—

DISBURSEMENTS LEDGER.

Date	Particulars	Disbursements		Charged to Clients	
		Folio	Amount	B.D B. folio	Amount
			£ s d		£ s d

The first Cash column shows the amount of the disbursement. In addition to the payments made and charged from the Cash Journal and Petty Cash Book there will also be expenses incurred on behalf of clients to be posted from the Expenses Journal, such as agency charges, the amount not being immediately paid, and in addition the client is debited with a fixed sum for stationery, postages, &c., which charge, a wag facetiously remarked, represents the solicitor's profit.

This debit is made from a Disbursements Journal—a few pages at the end of the Cash Journal often being used for the purpose—the client being debited and the Nominal Account credited.

Any disbursements debited and not actually charged to clients are written off through this medium to the debit of Office Expenses Account.

When the bill is made out the total amount of disbursements in connection with that particular matter is entered in the second column; and if the bill does not include the whole amount of the disbursements those actually charged are marked, usually with a letter, so that disbursements to be included in future bills may be seen at a glance.

The amount entered in the second column is transferred to the Bills Delivered Book (Form 4).

An Adjustment Account can then be prepared at any time to test the clerical accuracy of the postings into the Disbursements Ledger, thus ensuring that no items have been omitted to be charged.

DISBURSEMENTS LEDGER ADJUSTMENT ACCOUNT.

1907		£ s d	1907		£ s d
Jan. 1	To Balances at this date		June 30	By Disbursements charged on Bills as per Bills Delivered Book	
June 30	„ Disbursements charged from—			„ Disbursements transferred to Office Expenses as per Journal	
	Cash Journal			„ Balances carried forward	
	Petty Cash Book				
	Expenses Journal				
	Disbursements Journal				

Bills Delivered Book.

This book corresponds with the Sales Journal used by a trader.

Each bill is press-copied, so that no details have to be entered, the folio of the press copy being given, so that reference can be made at once if so required.

The following form will explain its use:—

Form 4.— BILLS DELIVERED BOOK.

Date Delivered	Consecutive No.	Press Copy No.	Name	Address	Matter	Led. fo.	Amount to be Debited	Disbursements		Net Costs	Date Paid	Memoranda
								Led. fo.	Amount			
									£ s d	£ s d		

The total amount of the bill is posted to the debit of the client, but only the *net* costs are credited to "Charges Account" in the Nominal Ledger, the "disbursements" having been transferred from the credit of the various accounts in the Disbursements Ledger.

The "Date paid" column is merely inserted for the purpose of convenience, so that the principal may see at any time what costs are outstanding without having to refer to the Ledger Accounts.

Sometimes an extra column is provided for "Amount received," so that bills paid within a comparatively short period need not be posted to Ledger Accounts, the cash being credited direct. This method considerably reduces the number of Ledger Accounts, and is peculiarly adapted for practitioners who have but *one* transaction with a number of clients, such as solicitors practising in the Courts.

Mortgage Register.

As already stated, a solicitor collects interests on mortgages on behalf of clients, and in many offices the system adopted is to open an account in the Ledger for the mortgagor and another account for the mortgagee, debiting the former and crediting the latter through the medium of the Cash Journal with the amount of interest due, and on payment debiting cash and crediting the mortgagor. When paid over to the client another entry has to be made debiting him with the amount.

This entails a considerable amount of clerical work, for in addition to the ordinary Ledger Accounts the solicitor has also to keep a Mortgage Register showing when the interests become due and particulars of the securities held.

This Mortgage Register can, however, very conveniently be utilised for the Ledger Accounts, and by so doing a number of really unnecessary entries in the Cash Journal and Ledger can be obviated. The Mortgage Register for this purpose will be ruled as follows:—

Form g.— MORTGAGE REGISTER.

Date of Loan..... Date Repaid..... Amount of Loan, £..... Rate of Interest.....%

Description of Property Charged..... .....

Mortgagee: Mr.....

AMOUNT PAID OVER TO MORTGAGEE.

Date Due	Amount Due	Date Paid	Tax Deducted	C.J. folio	Amount
	£ s d		£ s d		£ s d

Mortgagor: Mr.....

AMOUNT RECEIVED FROM MORTGAGOR.

Date Due	Amount Due	Date Received	Tax Deducted	C.J. folio	Amount
	£ s d		£ s d		£ s d

(Left hand side of page)

AMOUNT PAID OVER TO MORTGAGEE.

Date Due	Amount Due	Date Paid	Tax Deducted	C.J. folio	Amount
	£ s d		£ s d		£ s d

AMOUNT RECEIVED FROM MORTGAGOR.

Date Due	Amount Due	Date Received	Tax Deducted	C.J. folio	Amount
	£ s d		£ s d		£ s d

(Right-hand side of page)

Four Accounts will be shown on each page.

At the top of each account is shown the particulars of each mortgage and the names of the mortgagee and mortgagor.

The interests are usually due half-yearly, so the book is so ruled as to show a year's interest on one line, four accounts being shown on a page.

When opening the register care will be exercised to arrange the accounts in datal order, a few pages being left at the end of each month for new mortgages created.

When the Demand Note for the interest due is sent to the mortgagor the due date, amount, and tax deducted are filled in. When payment is received the amount is posted from the Cash Journal, as already explained.

On payment to the mortgagee the amount of the cheque is debited, the other particulars having already been filled in.

It sometimes happens that the date the interest is due to the mortgagee does not exactly coincide with the date it is due from the mortgagor, hence two columns for "Due date" are necessary.

By this method *one* account serves for both the mortgagee and mortgagor, and therefore the Journal entry when the interest becomes due can be dispensed with, and only the actual cash transaction recorded.

Another advantage is that each separate mortgage is kept entirely distinct, and not mixed up with other transactions in the client's ordinary Ledger Account.

When the accounts for the financial period are closed, the only balances to be taken into account are sums received and not paid over, which, generally speaking, are not numerous.

Interest on loans made by the office are cleared by means of a Journal entry, the amount received being transferred to the credit of *Interest on Loans Account.*

Of course, in practice it frequently happens that small differences in tax have to be written off, but this can be done by means of Journal entries at the end of the year.

Ground Rents can be dealt with in a similar manner, and, unless numerous, can be entered in the same book.

Insurances.

Many solicitors now do a large amount of insurance business, and it is therefore desirable to have a separate book to record the premiums due and received, which may be ruled as follows:—

Form 6.— INSURANCE BOOK.

Name of Company ..... Quarter ending.....190 .

Policy No.	Name	Amount of Premium	Date Received	C.J fo.	Amount	Transferred to Ledger	
						Lr. fo.	Amount
		£ s d			£ s d		£ s d

Separate pages are used for each company, the total amount of premiums due being credited to their account, and the commission and stamps deductible debited through the medium of the Cash Journal.

When the premiums are received the assured is credited direct from the Cash Journal, no Ledger Account then being necessary, except in special cases, when a transfer can be made from the column provided for the purpose.

Rents Collected.

Solicitors often collect cottage rents on behalf of clients. The best method to record these rents is to post the total received each week for each client to a Ledger Account, recording the individual amounts in a Rental Journal ruled as follows:—

Form 7.— RENTAL JOURNAL.

Property belonging to..... Quarter ending.....

No.	Tenants' Names	Situation		Rents		Particulars of Weekly Receipts for Quarter	Arrears from last Quarter	Rents due this Quarter	Total	Rec'ipts as per Particulars	Arrears carried forward	Remarks
		No.	Street	Annual	Weekly							
				£ s d	£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	

A Summary Book should be kept, so that the total paid into bank may be agreed with the weekly totals in the Rental Journal.

Debts Ledger.

Many small solicitors derive a large proportion of their income from the collection of debts.

A good form of Debt Register is ruled thus:—

Form 8.—

DEBT REGISTER.

CLIENT:				Cash Received			Paid to Client		
				Date	Fo.	Amount	Date	Fo.	Amount
1,001	Name	Amount of Debt	£ s d			£ s d			£ s d
	Address.....	Costs							
	Occupation	Cost of Summons.. ..							
	First Application	Do. Hearing							
	Second do.	Costs of Judgment ..							
	Entered, C.C.....	Execution Fee							
	Hearing	Judgment Summons ..							
	Order made of	Other Costs..							
	Execution								
1,002									
1,003									

All disbursements are charged direct to the Debt Register, and, if not recovered, transferred to the client's account.

Costs are dealt with in a similar way, the commission charged to the client being debited from a separate book for Commission on Debts Collected.

If several accounts are received for the same client the various amounts collected will be transferred to the client's Ledger Account, and if this form be adopted it is advisable to also have an extra column in the Petty Cash Book and Cash Journal for disbursements made in connection with debts.

The book should be so ruled that four accounts may be shown on the same page, each account being numbered consecutively.

Expenses Journal.

It necessarily occurs that certain expenses are incurred either on account of clients or for office which are not immediately paid. These are dealt with through the Expenses Journal, the amount being posted to the creditor's account in the usual way.

Form 9.—

EXPENSES JOURNAL.

Date	Invoice No.	Name	Particulars	Amount	Office Credits	Ledger Folio	Net Amount to be Credited	Disbursements for Clients: Ledger Folio	Disbursements for Clients: Amount	Agents Charges Office	Station'ry	Rent, Rates, &c.	Incident'l Expenses	Other Accounts: Name of Account	Other Accounts: Folio	Other Accounts: Amount
				£ s d	£ s d		£ s d		£ s d	£ s d	£ s d	£ s d	£ s d			£ s d

In the case, say, of Agents' Charges, the amount to be debited the client is not the sum actually paid to the agent, the solicitor receiving a commission on all such work. Therefore the gross amount of the bill is entered in the first column and the sum deductible by the office in the second, the *net* amount being posted to the creditor's account. The total of "office credits" is then transferred to the credit of Costs Account.

With this exception the book is the same as the ordinary form of Purchase Journal.

It should be mentioned, however, especially in view of the recent Prevention of Corruption Act, that although for the purposes of bookkeeping the agency charges are treated as disbursements, yet they should not be shown as such in the bill rendered to the client, as the actual amount of the payment to the agent is only very seldom the amount debited to the client.

Of course, the whole amount could be debited to "Agency Charges Office Account," but in order to prevent omission the method described is the more preferable.

Bills of Costs.

Having briefly discussed the principal books of account to be kept by solicitors, we have now to consider the method to be adopted to record the various charges which make up the bills of costs.

Although, perhaps, not strictly within the limits of this paper, yet reference to the subject is most necessary, as the importance of a correct system of dealing with these preliminary records is at once apparent.

There is no cut and dried method that is universally followed, much depending on the size and particular requirements of each business, but, generally speaking, the material required for the draft costs is found in the Diaries, Call Books, and Press Copy Letter Books.

The name of every caller should be entered in a Call Book ruled as follows:—

Form 10.— CALL BOOK.

Date	Time	Name	Business	Seen by

and letters received and despatched should be recorded in similarly ruled books.

Each principal and clerk should enter daily in a Diary or on a Daily Sheet particulars of the work upon which he has been engaged, and from these the bill clerk will write up the draft bills.

Some use a Draft Bill Book for this purpose, whilst others prefer a perforated Draft Costs Book, the pages being torn out when the bill is finally settled.

Another method which can be adopted in small offices is for the Daily Sheets to be contained in carbon duplicate books so perforated across that a dozen slips can be contained on each page.

Particulars of the work done for each client are entered on separate slips, which are ready gummed at the back.

Each day these are torn out and posted in a Guard Book, ruled in the same way as the Draft Bill Book. Whichever way is adopted, it is most desirable that the cost clerk should each day check off the Call Book and Register of Letters Received and Despatched with the daily records, otherwise omissions are almost bound to occur.

Needless to say, the Draft Bill Book must be properly indexed and each separate matter kept distinct.

When the bill is finally settled and made out it should be press copied and entered in the Bills Delivered Book.

Ledgers.

The Clients' Ledger calls for no comment, as it is ruled in the ordinary form, although it is desirable to show the debits on one page and the credits on the opposite, so that sufficient room may be given for the narrative of the entry which, in the case of solicitors, must be a full description.

The Private Ledger will contain the Impersonal Accounts of the business, together with the Drawing and Capital Accounts.

Only the actual *costs delivered*, less the disbursements, are posted to the credit of the Costs Account, and usually costs on work in progress are not taken into account. Of course, proper provision must be made for bad debts, and for any contingent liability in connection with monetary transactions.

Speaking generally, however, solicitors accounts do not present any unusual difficulties, and although on the present occasion it is impossible to deal with the subject in as exhaustive a manner as its importance demands, yet it is hoped that the student who has not had any previous acquaintance with this branch of accounting may have formed some idea of the system to be adopted to record the transactions of the members of the legal profession.

The audit of such accounts demands the utmost care, and must be as complete as possible, the following being a brief summary of the work to be done:—

(1) Check Bank Pass Books to Cash Journal, agreeing balance. (Usually full details of all payments into the bank will be entered in the Paying-in Books, and it is advisable to examine a few of these.)

(2) Check counterfoil Receipt Books, noting dates.

(3) Examine all vouchers for payments made not charged to clients' accounts.

(4) Check postings of Cash Journal to Ledger and additions.

(5) Check postings to Disbursements Ledger from Cash Journal, Petty Cash Book, Expenses Journal, &c., and transfers to Bills Delivered Book, &c., finally verifying the Disbursements Adjustment Account, and particularly noting that all balances are actually payable by clients, and not on account of matters for which bills have been delivered.

(6) Check Copy Bills Book to Bills Delivered Book and postings from latter to the Ledger.

(7) Vouch and check Petty Cash Book, noting that all payments have been passed and certified by the principal. (Check additions of this and all other books.)

(8) Check the Mortgage Register and balances, taking care that no balances are in reality interests chargeable to office.

(9) Examine Agents' Accounts, Insurance Books, Rent Rolls, &c.

(10) Check postings and additions of Expenses Journal, and ascertain that all liabilities to date are included.

(11) Examine Deposit Notes for cash on deposit as shown by Deposit Account in the Ledger, also all bills receivable and certificates, &c., for investments.

(12) If credit is taken for undelivered costs ascertain that due provision is made for allowances, and that the amount included is not excessive.

In fact, the programme of audit may be best summarised in three words, *Prove all things;* for the transactions are often so complicated that unless the system of audit can be described as *thorough* it is of little practical benefit to any of the parties concerned, excepting, of course, those who do not wish their misdeeds to be brought to light, and, in conclusion, in the audit of Solicitors' Accounts, it is desirable to remember—

"They are fools who kiss and tell,"
Wisely has the poet sung,
"Man may hold all sorts of posts,
If he'll only hold his tongue."

MEDICAL MEN.

To use an Irishism, the accounts of medical men are conspicuous by their absence, consequently there is no class of men who lose a greater proportion of their earnings through faulty bookkeeping than the average medical practitioner.

At the call of his patients at all hours of the night, without a day of rest, and with responsibilities far greater than those of other professional men, is it to be wondered at that he tries to save as much clerical labour as possible and keeps his accounts in so slipshod a way?

"But give 'im his due as a man,
An' 'e'll do for you all 'at 'e can,
An' it's not this an' that little touch
'At 'e'll stop at, an' say it's too much."

Yet, generally speaking, people pay all their bills before that of the doctor, and even then often ask if there is not "something off."

Such is the gratitude of human nature!

For bookkeeping purposes the practice may be divided into three sections, viz.:—

(1) Visits.
(2) Surgery.
(3) Special Cases.

The practitioner records the daily visits to his patients in a Diary, and on his return these are entered up in a Prescription Book containing a record of the details of each case. Some utilise this Prescription Book as the posting medium to the Ledger, but this method is not to be recommended, the use of a Tabular Day Book being preferable.

This Tabular Day Book may be ruled as on next page (Form II).

Space is provided for the patient's name and address, and columns for each day in the month. A column for "Scale" will also be provided, as nearly all medical men have a different scale of fees for their various patients, dividing them into four classes—viz., A, B, C, and F, the last letter indicating that the patient is on the Free List, and be it said to the credit of the medical profession that many indeed of their patients are so designated in their books.

Any cash received during the month is credited to this Day Book, thus reducing the number of postings to the Ledger, which book is entered up monthly.

Some medical men so rule the Day Book that space is provided for *three* months instead of *one*, as in the example given, but this is merely a matter of detail in no wise affecting the general principle.

The Ledger may either be of the ordinary type or in tabular form to facilitate the rendering of the half-yearly accounts.

Form 11.— DAY BOOK. Month ending.....

No.	Scale	Patient's Name and Address	Visits, Medicine, &c. 1	2	3	4	5	&c.	&c.	Details	Total for Month	Cash Received C.B. Fo.	Amount	Transferred to Ledger Fo.	Amount
										£ s d	£ s d		£ s d		£ s d
1		Visits ..													
		Medicine													
2		Visits ..													
		Medicine													
3		Visits ..													
		Medicine													
		&c.													

Form 12.— TABULAR LEDGER.

Year	Balance, 1st Jan.	Monthly Charges Jan.	Feb.	Mar.	April	May	June	Total to 30th June	Date	Cash Received Fo.	Amount	Balance owing 1st July	Monthly Charges July	Aug.	Sept.	Oct.	Nov.	Dec.	Total to 31st Dec.	Date	Cash Received Fo.	Amount	Balance owing 31st Dec.
	£ s d							£ s d			£ s d	£ s d							£ s d			£ s d	£ s d

For surgery work the most convenient way is to utilise the Prescription Book as a record of work done, all fees received at the time being entered in a Cash column provided, and the daily total transferred to the Cash Book.

Charges not paid for at the time of the visit are entered in the Day Book (Form 11) in the ordinary way. Special consultations can be dealt with in the same manner.

It is important, however, that the Call Book should be compared daily with the Day Book to prevent any omissions which may have been made.

Cash Received Book.

A separate book should be used to record receipts from patients, the daily or weekly totals being entered in the General Cash Book.

Many medical men now use counterfoil receipt books, and this is a most excellent plan to adopt, as not only does it prevent fraud, but also obviates any risk of the practitioner putting the money into his pocket and forgetting to post the amount received to the credit of his patient's account.

The counterfoil receipt book may also be made to serve the purpose of a Cash Received Book, the posting to the Patients' Ledger being made direct from this source.

The great advantage of the separate Cash Book for cash received is that the clerical work can be done by the assistant, who does not thus see the details of the practitioner's expenditure as shown in the General Cash Book.

General Cash Book.

The General Cash Book should be ruled with analytical columns to show the details of the expenditure, so that only the monthly totals need be posted to the Private Ledger Accounts.

Form 13.— GENERAL CASH BOOK.

Date	Particulars	Fo.	Patients' Accounts	Cash Takings	Total Cash Received	Paid into Bank	Date	Particulars	Fo.	Discount	Cash Paid	Drawn from Bank	Analysis						
													Ledger A/cs		Drugs	Investments	House	Horse-keep, &c.	Drawings
													Fo.	Amount					
			£ s d	£ s d	£ s d	£ s d				£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d

Sometimes it is not convenient to pay all accounts as soon as rendered, in which case a Purchase Book should be used, the invoices being entered up monthly and the cash paid posted from the Cash Book, thus balancing each account.

The Purchase Book should be ruled with analytical columns for the various classes of expenditure, the monthly or half-yearly totals being transferred to the Private Ledger.

Form 14.— PURCHASE BOOK.

Date	Name	Particulars	Details	Amount	Date Paid		Details				Other Accounts		
					C.B. fo.	Amount	Drugs	Instruments	Horse-keep and Stable Expenses	House	Name of Account	Fo.	Amount
				£ s d		£ s d	£ s d	£ s d	£ s d	£ s d			£ s d

Ledger.

The Ledger Accounts to be opened call for no special comment, the headings of the various columns in the forms given indicating their general nature.

The requirements of each particular practitioner must be taken into account when drafting a system of books for a medical man, but the methods here described afford a rough outline of the general form of such books, and to those unacquainted with this class of work may, perhaps, be of some little interest.

DENTISTS.

The bookkeeping is much more simple than that of a doctor, as all the fees are derived from surgery work.

The name of each patient should be entered in a Call Book ruled as follows:—

Form 15.— CALL BOOK.

Date	Name	Address	By whom Attended	Nature of Operation	Charged D.B. fo.	Cash Received
						£ s d

If paid for at the time of the operation the amount of cash received will be entered in the Call Book, the total giving the cash takings for the day; otherwise an entry must be made in a Day Book ruled thus:—

Form 16.— DAY BOOK.

No.	Name and Address	Particulars	Days in Month 1907														Ledger Ref.	Amount Charged
			1	2	3	4	5	6	7	8	9	10	11	12	&c.	&c.		£ s d
1																		
2																		
3																		
&c.																		

The particulars are entered up from the Call Book, each operation being represented by a symbol, thus—extraction, X; with gas, XN_2O; gold filling, AuF., &c. &c.

At the end of the month the amount to be charged is extended and posted to the Ledger.

For mechanical work a separate Day Book will be required, giving full particulars of the nature of the work done.

The most satisfactory method would be to keep a Cost Book showing the cost of the materials used and time expended on each order, and then a proper system of Stock Accounts could be instituted to check the quantities of gold, platinum, &c., bought and used, whilst the Day Book could be so ruled as to show the estimated profit on each job.

The Cash Book and Expenses Book will be similar to those previously described for medical men (Forms 13 and 14), and need not be given here.

Provided the Call Book is properly entered up, the record of a dentist's transactions presents no very great difficulties, and should be easily understood by any accountant who has "cut his wisdom teeth."

ACCOUNTANTS.

"To thine own self be true,
And it must follow as the night the day,
Thou can'st not then be false to any man."

A certain individual suffering from melancholia once consulted a famous physician, who advised him to go and see a noted clown of the day, whose merry antics would make the most depressed man laugh and forget his troubles.

"Alas!" replied the patient, "I cannot do that. I *am* that clown."

So indeed it often is with a skilled accountant, who devises most intricate and complete systems for his clients, and whose own books are kept in so primitive a fashion, and whose methods are so lax, that an outsider who saw his system of bookkeeping might well recommend him to consult a professional accountant.

Many there are who try to cast out the mote in their client's eye, forgetting the beam in their own eye.

The books required are very similar to those already described for solicitors.

The Cash Journal (Form 1) is particularly adapted for the transactions of an accountant, and in a small office all costs and expenses can be dealt with through this medium.

In a large business the use of a Bills Delivered Book and Expenses Journal are desirable, but much depends on the class of work.

A separate Insurance Book is also advisable, and a Mortgage Register where a large number of interests are collected for clients.

For all estates for which separate Bank Accounts are opened it is preferable to use a separate Cash Book called "Separate Estates Cash Book," ruled with columns for Cash and Bank, different pages being used for each estate.

By this method the clerical work is much simplified, all such matters being kept entirely distinct.

The most important matter to ourselves, however, is the system of recording the time to be charged to clients.

Unlike solicitors, who have a fixed scale of charges for various classes of work, accountants are nearly always remunerated by the time occupied, and therefore it is very essential that proper records be kept.

Each principal and clerk should enter in a Diary particulars of the work upon which he has been engaged during the day. At the end of the month a summary should be prepared, showing the total hours occupied on behalf of each client.

The most convenient form of Diary is that published by Messrs. Gee & Co., the price ranging from 1s. 6d., and as a summary ready ruled is provided at the end there is no excuse for anyone who neglects to record his time in the manner explained above.

Each month the time spent on each matter should be posted to a Time Ledger, which can be ruled with columns for disbursements made on behalf of clients and fees charged.

The form is as follows:—

Form 17.— TIME LEDGER.

Name of Client:—

Date	Particulars	Time									Total Time				Time Charged		Travelling & Hotel Ex's.		Stationery and Stamps		Bills Delivered Book folio	Amount Charged
		Principals		1st Clerks		2nd Clerks			Juniors		Principals	1st Clerks	2nd Clerks	Juniors	Rate	Amount	P.C.B. folio	Amount	Folio	Amount		
																£ s d		£ s d		£ s d		£ s d

From the Time Summaries the time clerk posts the hours occupied to the various accounts in the Time Ledger, having first ascertained the status of the various members of the staff.

The initials of each are put at the top of the page, and any special work noted in the "Particulars" column.

Of course, the number of these columns can be increased as required, but it is only in large offices that more than ten members of the staff will be engaged at the same time on any particular work, and even if such be the case the time of two clerks can be put in the same column, two lines being used for each month.

When the work is completed the columns are added, and the total time under each class extended and worked out at the rate charged, these charges being shown on separate lines.

The advantage of this method is that a principal can see at a glance the time occupied each period by each class of clerks on the different audits, and by recording the names of the clerks he can quickly ascertain which are the drones to be turned out of the hive when a proper opportunity arrives.

The Travelling and Hotel Expenses will be posted from the Petty Cash Book, and Stationery and Stamps from the Stationery and Stamp Books.

It is better to show these expenses on the same page as the time, so that comparisons may more easily be made and inquiry instituted where necessary.

In the *Amount charged* column will be given the *actual* sum debited to the client, which is not necessarily the total of the other three columns, as perhaps an agreed sum may be charged for the work, the time occupied, calculated at the usual rate, being either more or less, as the case may be. In practice, unfortunately, it is usually *more!*

It should be mentioned that all other disbursements other than those to which reference has been made should be posted in the ordinary way to the debit of the client's Ledger Account, the disbursements shown above not usually being shown separately in the bill delivered.

When the bill is sent to the client the posting to the Ledger will be made from a Bills Delivered Book ruled as follows:—

Form 18.— BILLS DELIVERED BOOK.

Date Delivered	Press Copy No.	Name	Particulars	Time				Time Journal Folio	Ledger Reference	Amount to be Debited	Trav'lling and Hotel Expenses	Station'ry and Stamps	Net Costs	Date Paid
				Principal	1st Clerks	2nd Clerks	Juniors			£ s d	£ s d	£ s d	£ s d	

It is not really necessary to show the time occupied in this Bills Delivered Book, but by so doing the actual time spent on completed work is ascertained, so that the total time recorded can be agreed after extracting the hours spent on unfinished jobs from the Time Ledger.

The totals of the "Travelling and Hotel Expenses" and "Stationery and Stamps" will be credited to Nominal Accounts under these headings, the net costs being posted to "Fees Account," which may be analysed to show separately "Audit Fees," "Investigations," "Bankruptcy, Liquidations, and Assignments," &c.

Bankruptcies, Assignments, and Liquidations.

It is desirable, except in very small matters, to open a separate Banking Account for each estate, and to record the cash transactions in the Separate Estates Cash Book already mentioned.

To facilitate reference and to expedite the administration it is a very good plan to use a Bankruptcy Trustees' Estate Book (Gee & Co.) for each matter, as by this method all the information respecting each estate is contained in one book, and the small cost is trifling compared with the advantages gained.

At the beginning of the book space is provided for the necessary memoranda that have to be made, and although specially intended for the use of trustees in bankruptcy, yet, with slight alterations, the book can be used for both assignments and liquidations.

The practice adopted by some accountants of keeping all the particulars of an estate on loose sheets is most inconvenient, for the lists often get misplaced, the pages torn, and, not unfrequently, valuable time is wasted searching through a mass of papers for the information required. By collecting all these details in one book all this trouble and confusion is obviated and the original outlay fully repaid by the time saved.

The well read man is not necessarily the one who knows the most, but the one who knows exactly where to find what he wishes to learn; the most methodical man is not he who carefully endorses all his papers and fastens them together in the neatest style, but the man who can lay his hands on the information he requires at a moment's notice. The clever business man is the one who can use other people's brains to his own advantage; the intelligent trustee is he who will use a Bankruptcy Estate Book instead of wasting his time ruling his own forms.

In a lecture to *accountants* it is not needful to discuss the financial books further, but a brief reference to some of the statistical records may perhaps be profitable to those who have not yet fluttered their wings as full-fledged C.A.'s.

The successful accountant requires two qualifications—tact and method—and the latter as much as the former is indispensable to success.

Every caller and every telephone message should be recorded in a Call Book, and a register kept of letters received and despatched. Letters received should be numerically stamped and dated, and a note made in the Remarks column of the Letters Received Book showing how dealt with.

This is especially important in offices where a large proportion of the business is in connection with the winding up of estates in bankruptcy and under assignments, as probably different clerks are responsible for each matter, and therefore in the case of any letters being missing—and this is not unknown, even in the best regulated offices—it can be shown to whom the letter was sent out.

The Letters Out Book should indicate how the letter was delivered, and a column provided for postage, so that at the end of the month the total for each client may be posted to the Time Ledger.

Another useful record is "Clients' Books Inwards and Outwards," an entry being made for all books and papers received into the office, and when sent back the date and name of the person taking the same recorded.

If this book is looked through each month it effectually prevents any waste of time searching for books taken away without the knowledge of the clerk in charge of the work.

An Index should also be kept of all "clients' papers," showing the number of the box or locker in which stored, or the number of the parcel, if wrapped up and put away.

Lastly, there is the "Cuttings and Forms Book," in which should be pasted all newspaper cuttings and advertisements relating to matters pertaining to the office, and copies of circulars and other printed matter in connection with companies, bankruptcies, &c.

If properly indexed this book will effect a wonderful saving of time when similar notices have to be sent, whilst students should not be content with the one kept in the office, but should prepare a book of their own, the benefits they will reap far outweighing the small amount of time and trouble entailed.

And as this is a paper read before students, many of whom will ere long have to open up a set of accountant's books for their own use, may I remind one and all of the advice given by Micawber to David Copperfield—

"Annual income, twenty pounds; annual expenditure, "nineteen pounds nineteen shillings and sixpence; result, "happiness. Annual income, twenty pounds; annual "expenditure, twenty pounds ought and six; result, "misery. The blossom is blighted, the leaf is withered, "and, in short, you are for ever floored."

The moral conveyed in this advice is even more necessary than a scientific form of accounts; the one can always be rectified, the other never.

Conclusion.

My tale draws to a close. Much more there is to tell, but there is not time for the telling. Perhaps, however,

these cursory notes may induce some to pay more attention to a branch of accounting that has not in the past received all the attention which it deserves.

Accountancy is but a new profession; scientific book-keeping an innovation of a recent time, and though of the making of many books there is no end, yet still there is ample room for the members of the present and of future generations to formulate new and improved methods of recording the business transactions of both traders and professional men.

We are constantly reminded that the continual additions to our ranks will result in the profession becoming over-crowded, but

"Think of the world as a hill,
Mark where the millions stop,
There is always a crush at the bottom,
Push on, there is room at the top."

and the accountant who uses his knowledge and taxes his brains for the benefit of his client will have no cause to grumble that there is no room for him.

Though the accounts of professional men are theoretically simple, yet very great practical difficulty is often experienced in introducing any radical change. Accustomed as they are to personally attend to the requirements of their clients, self-satisfied with their own opinions, and conscious of their own importance, they are apt to think that none can manage their own business, or supply its wants, but themselves.

Very great tact is required therefore before new methods can be introduced, and even then it is often a long time ere they will acknowledge the benefits of the improved system.

But do not despair. Rome was not built in a day, nor the principles of double-entry evolved in a single night.

As we improve on the systems of our forefathers, so will those who come after us discover better and more simple methods than we adopt. If we do our share to strengthen the foundations others in the future can always build thereon.

"We move, the wheel must always move,
Nor always on the plain,
And if we move to such a goal
As wisdom hopes to gain,
Then you that drive, and know your craft
Will firmly hold the rein,
Nor lend an ear to random cries,
Or you may drive in vain;
For some cry 'Quick,' and some cry 'Slow,'
But, while the hills remain
Uphill, 'Too Slow' will need the whip,
Downhill 'Too Quick' the chain."

The Sheffield Society of Chartered Accountants.

THE annual meeting of the above Society was held on the 8th inst., when the following

REPORT AND ACCOUNTS

were approved and adopted:—

Your Committee have pleasure in presenting to you their twenty-fifth annual report for the year ended 31st December 1906, together with the Statement of Accounts and Balance Sheet at that date.

The accounts have been examined and duly certified by the auditor, Mr. John Wortley, F.C.A.

Mr. F. Hubert Smith, A.C.A., has been admitted a member of the Society during the year. The total number of members at the present time is 60.

The following clerks articled to local members of the Institute have, during the year, passed the examinations of the Institute of Chartered Accountants:—

Date	Examination	Clerk's Name	In the Service of
1906 May	Intermediate..	B. C. Davies (6th in order of Merit) ..	A. W. Macredie
"	" ..	J. W. Rouston ..	A. J. Platt
"	Final	J. W. Merryweather	G. S. Greening
"	"	H. E. Roe	C. J. Collier
November	Intermediate..	J. A. Clague ..	T. C. Parkin
"	" ..	A. W. Newman ..	W. Brining
"	Final	E. H. Maleham ..	J. W. Best
"	"	W. Stanser	A. E. Aizlewood

The Students' Instruction Classes continue to be well attended, and are proving of increasing benefit to the students. It is sincerely hoped that every encouragement will be given by principals to their articled clerks to attend these classes.

The term of office of the Society's first representative on the Court of the Sheffield University expired in November last, and Mr. W. H. Camm was re-elected for three years. It was, however, understood that such re-election was not to form a precedent for future elections.

The library has been used 813 times, by 26 members of this Society and 42 members of the Students' Society.

To avoid confusion of name it has been resolved that the word "Incorporated" be dropped from the Society's title, and a special meeting is being called to effect the necessary change in the Society's name pursuant to this resolution.

In accordance with Article 22, the following members of the Committee retire, and are not eligible for re-election, viz.:—Messrs. S. Taylor Gill, M. Webster Jenkinson, J. M. Moulson, and H. Short.

By order of the Committee,

S. TAYLOR GILL,
President.

25th February 1907.

INCOME AND EXPENDITURE ACCOUNT for the Year ended 31st December 1906.

Expenditure.	£ s d	£ s d
To Library Expenses:—		
Rent, &c.	50 0 0	
Use and Renewal of Books and Furniture	21 2 2	
Printing and Sundries	3 14 9	
	74 16 11	
Less Students' Society, Use of Room, Fines, &c.	4 5 3	
		70 11 8
" General Expenses		21 9 5
" Students' Society—Contribution as agreed for Deficiency on Classes to December 1905		19 9 0
		£111 10 1

Income.	£ s d
By Subscriptions—60 at £1 1s.	63 0 0
" Entrance Fees—1 at £2 2s.	2 2 0
" Institute of Chartered Accountants— Grant towards Maintenance of Library for the Year	36 6 10
" Bank Interest	6 10 2
" Balance to Capital Account	3 11 1
	£111 10 1

BALANCE SHEET, 31st December 1906.

Liabilities.	£ s d	£ s d
Capital Account:—		
As at 31st December 1905	418 14 9	
Less Income and Expenditure Account Balance	3 11 1	
		415 3 8
Sundry Creditors		13 16 2
Suspense Account—Rent Reserved		4 3 4
		£433 3 2

Assets.	£ s d	£ s d
Institute of Chartered Accountants	36 6 10	
Sheffield Chartered Accountants' Students' Society	2 19 0	
		39 5 10
Furniture and Fittings—		
As at 31st December 1905	70 11 5	
Less Depreciation written off	3 10 7	
		67 0 10
Books in Library:—		
As at 31st December 1905	87 17 10	
Less Depreciation written off	17 11 7	
	70 6 3	
Add Purchases during Year	18 18 10	
		89 5 1
Cash at Sheffield Banking Company, Lim.		237 11 5
		£433 3 2

SHEFFIELD, 23*rd February* 1907. Examined and found correct. JOHN WORTLEY, F.C.A., *Auditor.*

Messrs. N. W. Burbidge, W. H. Camm, W. Holmes, and T. C. Parkin have been elected members of the Committee in place of those retiring, and the officers for the ensuing year are:—Messrs. F. H. Metcalfe, President; T. C. Parkin, Vice-President; A. W. Macredie, Hon. Treasurer; John Wortley, Auditor; and H. E. Percy Beard, Hon. Secretary.

The date of the annual dinner was fixed for April 19th.

Employers' Liability Insurance Companies.

A Bill to apply the provisions of the Life Assurance Companies Acts, 1870 to 1872, to companies carrying on the business of insuring employers against liability to pay compensation or damages to workmen in their employment.

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1.—(1) The provisions of the Life Assurance Companies Acts, 1870 to 1872, relating to life assurance companies established or commencing to carry on the business of life assurance within the United Kingdom after the passing of the Life Assurance Companies Act, 1870, shall apply to every company, whether established before or after *the passing of this Act*, which carries on within the United Kingdom the business of insuring employers against liability to pay compensation or damages to workmen in their employment, subject to such necessary modifications and adaptations as may be made therein by Order in Council:—

Provided that—

(*a*) those provisions shall not apply—

(i.) to an association of employers engaged in any trade or industry carrying on business for the sole purpose of the mutual insurance of its members either against liability to pay compensation or damages to workmen employed by them in that trade or industry, or against that liability and against any other risk incident to that trade or industry; or

(ii.) to a member of Lloyds' or any other association of underwriters approved by the Board of Trade, provided that he complies with the requirements set forth in the Schedule to this Act; and

(*b*) such of those provisions as relate to deposits shall not apply—

(i.) to any company which has commenced to carry on such business as aforesaid within the United Kingdom before the commencement of this Act, and which proves to the satisfaction of the Board of Trade

that the funds already set apart and secured for the satisfaction of claims of employers insured by the company amount to *forty thousand pounds*: or

(ii.) to any company which has already made a deposit in pursuance of the Life Assurance Companies Acts, 1870 to 1872.

(2) Where money is paid into a County Court under the provisions of the Schedule to this Act, the Court shall (unless the Court for special reason sees fit to direct otherwise) order the lump sum to be invested or applied, in the purchase of an annuity or otherwise, in such manner that the duration of the benefit thereof may, as far as possible, correspond with the probable duration of the incapacity.

(3) For the purposes of this section the expression "company" means any person or persons, corporate or unincorporate, not being registered under the Acts relating to friendly societies.

2.—This Act may be cited as the Employers' Liability Insurance Companies Act, 1907, and shall come into operation on the *first day of July one thousand nine hundred and seven.*

SCHEDULE.

Requirements to be complied with by Underwriters.

1.—Every underwriter shall deposit and keep deposited in such manner as the Board of Trade may direct a sum of *two thousand pounds.* The Board of Trade may make rules as to the payment, repayment, investment of, and dealing with a deposit, the payment of interest and dividends from any such investment, and for any other matters in respect of which they may make rules under section one of the Life Assurance Companies Amendment Act, 1872, in relation to deposits made by life assurance companies. The sum so deposited shall, so long as any liability under any policy issued by the underwriter remains unsatisfied, be available solely to meet claims under such policies.

2.—Where the person insured by any policy issued by an underwriter is liable to make a weekly payment to any workman during the incapacity of the workman, and that incapacity has lasted for more than six months, the liability therefor shall before the expiration of twelve months from the commencement of the incapacity be redeemed by the payment of a lump sum in accordance with paragraph (17) of the First Schedule to the Workmen's Compensation Act, 1906, and the underwriter shall pay the lump sum into the County Court, and shall inform the Court that the redemption has been effected in pursuance of the provisions of this Schedule.

3.—The underwriter shall furnish every year to the Board of Trade a statement in such form as may be prescribed by the Board showing the extent and character of the employers' liability business effected by him.

4.—For the purposes of this Schedule "policy" means a policy insuring any employer against liability to pay compensation or damages to workmen in his employment.

New Orders, &c.

The Long Vacation.

AT the Court at Buckingham Palace, the 1st day of March 1907. Present, the King's Most Excellent Majesty in Council.

Whereas by the 27th Section of the Supreme Court of Judicature Act, 1873, it is enacted that His Majesty in Council may from time to time upon any report or recommendation of the Council of Judges in the said Act mentioned with the consent of the Lord Chancellor make, revoke, or modify orders regulating the vacations to be observed by the High Court of Justice and the Court of Appeal and in the offices of the Supreme Court respectively.

And whereas at a meeting of the Judges of the Supreme Court duly assembled at His Majesty's Royal Courts of Justice on the 11th day of January 1907 it was resolved:

That it be humbly recommended to His Majesty that an Order in Council be made, if His Majesty shall so please, directing that the Long Vacation should both commence and terminate twelve days earlier than at present. And whereas it has seemed fit to His Majesty, by and with the advice of His Privy Council, that the said recommendation be carried into effect.

Now, therefore, His Majesty, by and with the advice aforesaid is pleased to order, and it is hereby ordered as follows:

That the Trinity sittings of the Court of Appeal and of the High Court of Justice shall for the future terminate on the 31st day of July, and that the Long Vacation in the several Courts and offices of the Supreme Court shall for all purposes commence on the first day of August.

That the Michaelmas Sittings of the same Courts respectively shall for the future commence on the 12th day of October, and that the Long Vacation in the several Courts and offices of the Supreme Court shall for all purposes terminate on the 11th of October.

A. W. FITZROY.

Personal.

MESSRS. MOORE & CHRYSTAL and P. G. IRVINE announce that the businesses of Chartered Accountants formerly carried on by them at 219 and 144 St. Vincent Street, respectively, have been combined, and will now be continued at 226 St. Vincent Street, Glasgow, under the firm name of MOORE, CHRYSTAL & IRVINE.

MR. ARTHUR H. STEVENS, of the firm of BUTTON, STEVENS & Co., Incorporated Accountants, of 63 Moorgate Street, London, E.C., announces with regret the death of his partner, Mr. CYRIL M. BUTTON. The business will continue to be carried on by Mr. STEVENS, under the style of BUTTON, STEVENS & Co.

MESSRS. COLEFAX, HEAD & CO., Accountants and Auditors, of 2 Aldermanbury, Bradford, have taken into partnership Mr. ALFRED GREAVES, A.C.A. The style of the firm henceforth will be COLEFAX, HEAD, GREAVES & CO.

Meetings for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS.—General Purposes Committee, 3 p.m.

BIRMINGHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY.—Lecture, "Joint Stock *versus* Private Ownership of Businesses: Some Practical Differences in their Commercial Possibilities," by Mr. W. R. Hamilton, F.C.A. This meeting preceded by tea at 6 o'clock, at the Library, 8 Newhall Street.

Wednesday—LONDON CHARTERED ACCOUNTANT STUDENTS SOCIETY.—Twenty-fourth Annual General Meeting, at the Institute of Chartered Accountants, Moorgate Place, E.C.; 5.30 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Ten Minute Papers, by Members, at the Hall of the Incorporated Law Society, Bowl-alley Lane; 7.45 p.m.

LEICESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Income Tax," by Mr. C. E. Isaacs (Retired Inspector of Taxes), at Winchester House, 1 Welford Road; 7 p.m.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, Mar. 15th, was 153, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 83; Deeds of Arrangement registered, 70. The respective numbers in the corresponding week of last year were: Bankruptcies, 100; Deeds of Arrangement, 86—total, 186; being a decrease of 33. The total number of commercial failures recorded during the 11 weeks of the present year is 1,701; the total number recorded in the corresponding 11 weeks of last year was 1,881, showing a decrease of 180.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, Mar. 15th, was 196. The number in the corresponding week of last year was 166, showing an increase of 30. The total number filed during the 11 weeks of the present year is 1,668; the total number filed in the corresponding 11 weeks of last year was 1,742, showing a decrease of 74.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, Mar. 15th, amounted to £1,200,282, by way of addition to £3,254,137, previously issued by the same companies. The amount registered in the corresponding week of last year was £393,692, showing an increase of £806,590. The total amount registered during the 11 weeks of the present year is £19,516,940 (in addition to the issues in previous years by the same companies), as compared with £15,286,018 for the corresponding 11 weeks in 1906, showing an increase of £4,230,922.

The Profession in Scotland.

Scottish Insolvencies.

For the week ending 16th March the number of insolvencies reported in Scotland was 38, as compared with 29 in the corresponding week of last year. The trust deeds numbered 15, as compared with 10; the sequestrations 7, as compared with 9; and the petitions for cessio 16, as compared with 10. The total number of insolvencies for the eleven weeks of the year is 304, as compared with 285 in the corresponding period of last year—the trust deeds numbering 143 against 127, the sequestrations 57 against 73, and the petitions for cessio 104 against 85. Of the 15 trust deeds reported during the week, 9 were granted in favour of Chartered Accountants. Only one voluntary liquidation of a limited liability company was gazetted during the week, making 36 for the eleven weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

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BOROUGH OF FULHAM.

THE Council invites applications for the position of Third Class Clerk in their Electricity Department at a salary of £80 per annum, rising by annual increments of £5 to a maximum of £100 per annum, subject to the conditions attaching to the Council's service. The successful candidate will be subject to a medical examination.

Knowledge of the Card System, technical terms for Storekeeping, Prime Cost, Bookkeeping, and Consumers' Accounts is necessary.

Applications by letter, stating age and previous experience, accompanied by copies of not more than three recent testimonials, must be sent to the undersigned by the 11th April 1907.

Canvassing the members of the Council is strictly prohibited, and will disqualify.

By order.

R. M. PRESCOTT,

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Leading Articles.

The London County Council Audit.

IT is greatly to be hoped that the party now in power at the London County Council will not allow itself to be bluffed out of its original intention to take stock of its position with a view to guarding itself against being made responsible for the errors of its predecessors. At the same time, if this mistake is to be avoided, it is certain that those who have the matter in hand must be careful not to allow themselves to be moved by irrelevant considerations, or by the efforts that are apparently still being made by the scattered remains of the Progressives, with the aid of their friends in Parliament, to stifle all independent inquiry into the true position of affairs.

The case, as we have already pointed out, is that the recent elections have been fought and won very largely on the issue of manipulated

accounts. The Moderates roundly accused the Progressives of keeping their accounts so as to prove what they wished them to prove, and so as to conceal that which they wished them to conceal. The charge was indignantly denied by the Progressives, and the ratepayers have voted in accordance with the decision that they came to on the facts before them.

As to whether the charges of the Moderates were true or false remains as yet in a large measure to be proved. If they be true, the position is that the Moderates take over responsibility as from the present time of an undertaking whose exact position they do not know, but which, if their charges were correct, must be far less favourable than accounts hitherto published have disclosed. Unless advantage be taken of the present opportunity to have a thorough overhauling of the accounts, and a clear start, the Moderates will have the choice a year hence of either continuing the existing method of accounts, which they have declared to be everything short of fraudulent, or else they will have to take upon their own shoulders the responsibility of all the extravagances of their predecessors which have been committed but not yet disclosed; for, if the accounts at the end of the year are taken upon a different basis to the accounts at the beginning of the year, and a stricter basis, the necessary result must be to make the year's accounts show up very much worse than is, in point of fact, the case. As a purely political move, apart from all questions of honesty, it is obvious that this would be most unwise, for the average layman would certainly never believe that extravagances exposed for the first time twelve months hence had been perpetrated by the old Council.

On the other hand, it is the barest justice to the Progressives that the wholesale charges of manipulation of accounts that have been so freely levelled during and prior to the election should now be proved, and proved up to the hilt. And although the Progressives themselves, so far as may be judged, do not appear to be at all anxious that the necessary investigations should be forthwith undertaken, we venture to think that if they are neglected the average ratepayer will speedily come to the conclusion that there is really not very much to choose between the two parties, and will accordingly as speedily relapse into his former apathy, whence there will, in all probability, be no chance of again awakening him.

We are not at all surprised that the President of the Local Government Board should have stated, from his seat in the House of Commons, that, in his opinion, an independent audit of the London County Council accounts was undesirable. As President of the Local Government Board he would, in expressing this opinion, be merely giving utterance to the views that have always been held at Whitehall; which, it is an open secret, is at the present time scheming to extend its influence by bringing within its control the accounts of municipal corporations, in spite of the expressed disclaimer that was made at the time the Education Act was passed. As an individual, Mr. JOHN BURNS is, of course, closely identified with the old London County Council, and it is absurd, therefore, to regard his utterances on the subject as those of an impartial statesman whose only interest is to hold a just balance between the contentions of rival parties. If Mr. BURNS really thinks that an independent audit of the London

County Council's accounts extending over the past three years is "undesirable," it can only be because he believes that the report of those auditors, when their examination has been completed, will have an effect upon the public which, from his point of view, will be undesirable. We are, of course, prepared to concede that the District Auditors do their duty fearlessly and impartially, but we cannot in reason be expected to concede that they are possessed of the necessary knowledge and experience to enable them to grapple satisfactorily with all the important problems that would arise out of a full examination of the accounts of the London County Council. We know that they have from time to time criticised the manner in which those accounts are kept, although in so doing they have exceeded their statutory powers; but we know also that there is not upon the staff of the Local Government Board anyone whose report upon these accounts would carry universal conviction, and nothing short of that can be regarded as satisfactory under the present circumstances.

With regard to the question of cost, as we pointed out in a recent issue, should it really be a fact that the Council has no power to employ professional assistance in connection with its accounts, there ought to be no difficulty in obtaining the necessary funds from party organisations. In this connection it is of interest to see that the *Observer* has stated that it has reason to believe that, if it should prove necessary, there is some prospect of the necessary sum (which is put at about five thousand pounds) being raised in the City by subscription. For our own part we never had the slightest doubt that the cost of the audit—which, of course, may or may not amount to five thousand pounds—would not be speedily forthcoming from somewhere, if the work were boldly undertaken without hesitation or signs of weakness. The risk is that, with the thinly-veiled threats of surcharge, and the declared hostility of the Local Government Board, the Moderate party may take so long making up its mind in the matter that by the time the auditors' report is available the public will have lost all interest in the subject. On the other hand, prompt, business-like, and decisive action will go far towards convincing the ratepayer that he has done wisely in putting the Moderates into power for the first time in the history of the London County Council.

Lay Auditors.

IN our issue of the 2nd inst. we mentioned that a motion would be brought forward at the next meeting of the Civil Service Supply Association, Lim., with the object of altering the rules of the Association, so as to provide that for the future its auditors must be members of the Institute of Chartered Accountants in England and Wales, and we further mentioned that of the two existing auditors, both of whom were civil servants, one was employed in the Inland Revenue Department, and the other in the Paymaster-General's Office. In this connection it is of interest to observe that the following circular letter has been issued to members by the auditors :—

[COPY.]

CIVIL SERVICE SUPPLY ASSOCIATION, LIM.
136 Queen Victoria Street,
London, E.C.
20th February 1907.

LADIES AND GENTLEMEN,

With reference to the resolution which will be moved at the forthcoming annual general meeting to amend the Rules in order to provide that the auditors shall be Chartered Accountants, we believe that we are anticipating your wishes in submitting our observations on the proposal.

This Association, which has been so successful, affords conspicuous evidence of the administrative and controlling ability of the Civil Service. The shareholders, the committee, and the auditors are civil servants.

It is now proposed by Mr. Sutch that the audit of the accounts shall be taken from the Civil Service and entrusted to Chartered Accountants, presumably on the ground that in the Civil Service two members cannot be found capable of performing the duties of auditors.

The duties and training of civil servants are, to a great extent, such as to qualify them in a very special degree for the position of auditor. Indeed, the accounts of many large and important undertakings are audited, for the special purposes set out in the Acts of Parliament relating thereto, by civil servants.

On the other hand, frauds in connection with financial and other companies, where the audit has been conducted by Chartered Accountants, are not unknown, and many of us may have thought that, if the audit had been conducted with the thoroughness and independence to which we are accustomed in the Civil Service, the frauds might have been discovered.

It is a common impression that the audit of accounts is more or less of a perfunctory character—*i.e.*, that the auditors check through the books and see that the Balance Sheet corresponds. Having in view the nature of the frauds which are disclosed from time to time in the Law Courts, it is probable that the audit is in many cases nothing more.

The audit of the accounts of this Association is not conducted on such lines. As carried out by us it is constant, continuous, and concurrent. From the commencement of our audit we inaugurated a system of books, kept entirely by ourselves in independence of the books kept by the accountant.

The basis of our bookkeeping is an account of cash received and expended. All sums received and expended are analysed and posted to their proper headings, with the adjustments necessary to secure to each year the receipts and expenditure due to it. Every month the cash is balanced with the Bankers' Pass Books, and, at the end of the year, we obtain certificates from the several banks as to the balances held by them on behalf of the Association. The assets of the Association, such as the Cash Balances, the Title Deeds of Premises, the Dock Warrants for goods in bond, and the Investments represented by Stock Certificates are verified by actual inspection. We select items of the stock and compare prices with invoices. To test the deposit balances we compare Pass Books, taken at uncertain times and without previous notification with the Ledgers, and to check the "Trade Creditors" we specially scrutinise the early payments in the following year.

Without going further into detail we think that you will be satisfied that the audit, as now conducted, is far-reaching and searching, and that you will agree that there is no necessity for casting such a reflection on the Civil Service as is implied in the notice of motion set down by Mr. Sutch.

We have, therefore, decided to place the facts before the shareholders, believing that they will be of opinion that their interests will be safer in the hands of two auditors, selected by their fellow members, whose interests are identical with their own, and who, like themselves, are members of a profession whose honourable record is second to no other.

It is most desirable that every shareholder who agrees with the views set out herein should vote on this occasion, so that the promoters of the motion may realise that civil servants decline to admit that capable auditors cannot be found in their ranks. In order that you may give effect to your views in this matter we shall be glad to receive your proxy on this occasion made out in favour of either of us.

We are, Ladies and Gentlemen,

Your obedient servants,

(Signed) WILLIAM ADAMS,

(Signed) HARRY TOMLINSON,

Auditors.

It is, of course, possible to sympathise with Messrs. ADAMS and TOMLINSON, who, if the proposed resolution was passed, would naturally find themselves superseded; but whether their method of dealing with the situation was the most tactful, or in the best taste under the circumstances, is, perhaps, a more open question. It is one thing to argue that, by virtue of their calling, civil servants are qualified in a very special degree for the position of auditor: the point is one upon which, of course, divergencies of opinion may be permitted, but the proposition is at least an arguable one. But when Messrs. ADAMS and TOMLINSON go on to say that, on the other hand, frauds in connection with financial and other companies, where the audit has been conducted by Chartered Accountants, are "not unknown", it seems to us

that their argument is as weak as their taste in adducing it is questionable.

If frauds never occurred, save in connection with undertakings that had been audited by Chartered Accountants, it might possibly be contended that for that reason a professional audit was undesirable. But when the most that can be truthfully urged is that in some few cases there have been frauds which for a time a professional audit has failed to detect, it is, perhaps, unnecessary to point out that there have been similar cases in connection with accounts audited by laymen, and also in connection with accounts audited by members of the Civil Service—and, for what it is worth, that the ratio of failures is far higher in the last two cases than in the first.

In connection with certain cases it is possible that some may have thought that if the audit had been conducted with thoroughness and independence the frauds might have been discovered, but such views are necessarily mere impressions in the unavoidable absence of the information necessary to enable an impartial judgment to be formed. When, however, Messrs. ADAMS and TOMLINSON go on to suggest that the perfection of thoroughness and independence are to be found in audits conducted by members of the Civil Service, one is tempted to inquire how long it is since it was found necessary to wind up an investment company run exclusively by members of the Civil Service, because the available funds had been made away with by one of the company's officers; and whether the audit in that case was not in point of fact an audit by members of the Civil Service.

One might, perhaps, even go a little further, and inquire whether it is not a fact that all district auditors are members of the Civil Service, and whether failure on their part to detect frauds is altogether unknown; but it is highly unnecessary to labour our argument, for it is hardly to be supposed that, personal considerations apart, anyone would seriously suggest that such an audit is *per se* and of necessity better than a professional audit. Messrs. ADAMS and TOMLINSON would, it seems to us, be upon far stronger ground if they urged that, having held their posts for a number of years, any alteration of rules with a view to bringing the audit more up to date ought to be suspended until a vacancy arises.

With regard to the programme of an ideal audit put forward in the above circular, our readers will, we think, find this extremely interesting, as showing presumably what is the average official idea of what a really efficient audit of accounts consists of; and they will not fail to observe that it hardly reaches above the level of that portion of a professional audit which would ordinarily be performed by the auditor's clerks. If we may regard Messrs. ADAMS and TOMLINSON'S statement as exhaustive, it would appear that in the highest sense of the word there is not really any audit of the accounts of the Civil Service Supply Association, but merely such a system of internal check as any ordinarily well conducted and organised concern would maintain on its own account as supplemental to, but by no means in substitution of, an independent professional audit.

Bankruptcy Reform.—II.

PASSING on to the second article on bankruptcy reform, which appeared in our issue of the 23rd ult., the most interesting suggestions therein contained are, it seems to us, those relative to illegal pawning, which, so far

as we have been able to ascertain, are entirely novel.

Mr. EDWARDS would appear to have come to the conclusion that while the existing provisions of the Debtors' Act, 1869, are inadequate to deal with the matter, it is not really practicable to strengthen those provisions in the manner recommended by the Birmingham Jewellers' Association, so as to take away from the jury the power to acquit the prisoner if it is satisfied that he had no intent to defraud. For our own part, we are inclined to doubt whether the omission of these words would have any effect, either legally or practically. From a legal point of view, if a jury is satisfied that the prisoner had no intent to defraud, it does not require the authority of any statute to justify it in declaring a verdict of "Not guilty." On the contrary, the question of motive must to a large extent affect the question of the guilt or innocence of all persons tried for criminal offences; and although in some cases the statutes make mention of this circumstance and in other cases are silent upon the point, the underlying principle must be always there. It is impossible for anyone to be guilty of a felony without felonious intent, and it is equally impossible for anyone to commit a criminal fraud without intent to defraud. The only object of including any qualifying words in an Act of Parliament would appear to be to suggest that the proof of corrupt intention must be very clear before a conviction can follow; and even then our readers will perhaps hardly require to be reminded that in the case of *Rex v. Whittaker Wright* Mr. Justice BIGHAM directed the jury that if they came to the conclusion that the prisoner had deliberately sanctioned the issue of false accounts, knowing them to be false, they were justified in concluding that they were issued with intent to deceive and defraud.

Mr. EDWARDS apparently comes to the conclusion, as a result of his experience—and naturally the question of illegal pawning is one very closely bound up with the jewellery trades—that it is impracticable to altogether prohibit the pawning of goods that have not been paid for. He suggests, however, that, following the lines of the Act for regulating the business of dealers in old metals of 1861, every trader should be required to keep a book containing full particulars of any goods pawned by him, and that the entries in that book should be conclusive evidence against such trader. *Primâ facie* this would appear to be a most convenient way of providing that the evidence necessary to convict a fraudulent bankrupt should in all cases be readily available, practically at no expense to the prosecution, but we must confess to being a little sceptical as to its success in practice. If such a book contained incriminating evidence, we feel satisfied that it would not be forthcoming in the bankruptcy; and whatever penalties might be provided for failure to keep such a book, it would be extremely difficult to secure conviction and deterrent sentences unless there were conclusive evidence that there really had been improper dealings, and that the case was not merely one of failure to comply with the technical requirements of an Act of Parliament. Even supposing, however, that our forecast of its probable effect should prove to be mistaken, we may point out that no sane man would deliberately record in such a book a transaction that might lead to his imprisonment for two years, with or without hard labour, when he could perfectly easily secure his ends by indirect means. If a man were desirous of pawning stock that he had

not paid for, but did not wish to risk the punishment that is reserved for that particular form of crime, he would (assuming him to be possessed of one-tenth of the intelligence of the average fraudulent bankrupt) either secure the money that he wanted by an out-and-out sale of the goods considerably below cost—which in itself is no offence—or else he would sell them to some nominee or fictitious person and let the supposed purchaser do the pawning.

For our own part, we have another remedy to suggest, which, it seems to us, possesses the merit of being somewhat simpler. It is that every pawnbroker receiving new goods in pledge should be required, as a condition precedent to his being entitled to retain those goods as against a subsequent trustee in the bankruptcy of the pawner, to require the latter to supply him with a statutory declaration setting forth whence he obtained the goods, and definitely stating that they had been paid for. In the event of fraud, a prosecution could then be conveniently founded upon the false declaration. We must confess, however, that we do not feel sanguine that any material advance would have been made by such an enactment; the effect of which would probably be to drive away business from pawnbrokers—who for the most part are an entirely respectable body of persons—and to transfer it to money-lenders, who although also licensed do not in all cases stand upon so high a plane.

With regard to the suggestion that full criminal powers in bankruptcy should be given to the Bankruptcy and County Courts, and the further suggestion that the existing powers of the Treasury in such matters should be transferred to the Board of Trade, while admitting that the idea might be worth trying, we must confess to feeling somewhat doubtful as to the result. The existing power of a County Court Judge to commit persons to trial for wilful and corrupt perjury has proved an absolute failure, because, in the absence of the necessary depositions, convictions do not result from trials instituted under such circumstances. With regard to the Board of Trade, we have yet to learn whether it is really more anxious than the Treasury that fraudulent bankrupts should receive their deserts. Were it really so, it would, one would think, be easy for it to give such instructions to Official Receivers as would lead to a considerable increase in the number of bankruptcy prosecutions.

With regard to the question of bookkeeping—or rather omission to keep proper books of account—Mr. EDWARDS, differing from the Jewellers' Association, appears to think it would be improper to imprison a bankrupt for the want of good bookkeeping if another trader, perhaps also insolvent but not bankrupt, were allowed to escape. We must confess that we do not altogether see the difficulty, unless it be the difficulty of getting the average jury to appreciate that so long as a man can pay his way he is entitled in a free country to make as big a fool of himself as he may think fit, but that as soon as he cannot pay his way the rights of creditors intervene, who are entitled to be protected against persons who continue to trade after they are insolvent—that is to say, with other people's capital. We do not attach much importance to the argument that other persons besides bankrupts may continue to trade after they know themselves to be insolvent. The mere fact that bankruptcy *per se* carried with it serious practical disabilities should prove an unmixed advantage, as tending to induce debtors to come to advantageous terms

with their creditors. As matters stand at the present time there is a large and increasing class of persons who have absolutely nothing to lose by bankruptcy. The only way, as it seems to us, of remedying this deplorable state of affairs is to make bankruptcy more unpleasant than it is at present; and, provided more adequate facilities were given for arrangements between debtors and creditors outside of bankruptcy even in cases where the creditors are not unanimous, we think that nothing but good could result from an alteration of the law which regarded all bankrupts as *primâ facie* fraudulent. This is, of course, a somewhat radical alteration to suggest, and it would be sufficiently far-reaching to require a somewhat wholesale amendment of the bankruptcy law as it now stands; but it follows, we think, the only line likely to lead to a better state of affairs in the future. So-called private arrangements between debtor and creditor should be regularised and facilitated in every possible way as a means of dealing with insolvent estates where the debtor is honest. The machinery in bankruptcy proper would thus be reserved for cases of fraud, or *primâ facie* fraud, and in such cases at least some reversion to the less humane systems of past ages would in the long run, we are convinced, prove advantageous.

Weekly Notes.

Penalties under the Companies Acts. The entirely new spirit in which the Registrar of Joint-Stock Companies now contemplates his duties is shown by the considerable increase in the number of prosecutions that have taken place of late under the Companies Acts, and more especially in the fact that substantial penalties are now asked for, instead of the department being content with merely nominal penalties, that serve no useful purpose, and certainly do not justify the costs of the proceedings. A somewhat extreme case was heard, however, in the Bow Street Police Court the other day, when John W. Sutcliffe & Co. were fined £25 and two guineas costs for omitting to file a return of members for the year 1905, when the returns for 1906 had been duly filed. It was stated for the defence that the officer upon whom this duty had devolved had overlooked the matter, and the fact that the 1906 return had been filed certainly suggested that there was no intentional default. Under these circumstances so substantial a penalty as £25 is in marked contrast to the fines that would have been inflicted a year or two since.

Depreciation and Obsolescence. It is of interest to note that whereas the total car receipts of the London Road Car Company, Lim., have steadily increased from £197,366 in the latter half of 1904 to £204,010 in 1906, the ordinary dividend has fallen from 6¾ per cent. for 1904 to 5 per cent. in the following year, while for the latter half of 1906 no dividend was paid. This circumstance is partly accounted for by the fact that while the total receipts have increased £5,000 and £8,000 in the two years respectively, the working expenses have increased £1,000 and £13,000; but the real explanation appears rather to lie in the fact that whereas the current charge for renewals and depreciation in the three periods has been £1,039, £1,052, and £1,406, it has been found necessary to transfer £6,000 to Reserve in 1905, and £5,000 in 1906, whereas nothing was taken to Reserve in 1904. This provision of £11,000 is no doubt considered desirable to provide for the obsolescence of horse 'buses, and it may well be argued that their rapid development could not very well have been foreseen in 1904. At the same time it may be pointed out that the really successful undertaking is the one that has sufficient reserves in hand to meet unforeseen as well as foreseen contingencies. Had the shareholders been content with slightly smaller dividends in the past, the position of the company at the present time would be far more stable.

An Action for Calls. The Irish King's Bench Division delivered judgment on the 28th ult. in the case of *The National Assurance Company of Ireland v. Perrin*, in an action for calls, which we think may be of more than local interest. In this case the plaintiff company sued the defendant for £336, being a call of £6 per share on fifty-six shares standing in his name. The defendant, however, pleaded that, under the provisions of the company's

charter, in the event of default of payment by members, the directors were required to sell and dispose of the shares of such members, and that if sufficient was not realised, they could then sue for the balance. The defendant therefore contended that he was only liable to be sued after such forfeiture and sale of his shares, and then only for the amount of the then deficiency. The company, however, pleaded that the forfeiture and sale of the shares were not a condition precedent to suing for the amount of the calls, and that the defendant was liable to be sued for the full amount, and not merely for the deficiency remaining after such sale. The Court (Mr. Justice Johnson dissenting) decided in favour of the company, but granted a stay of execution with a view to an appeal.

The London County Council Audit.

In view of the statement, reported to have been made by Sir John Benn last week, that the proposed audit of the London County Council was an insult to the dignity of the Councillors, and a system not employed in any other municipality in the Kingdom, it would be interesting to learn upon what authority Sir John committed himself to this extraordinary misstatement. It must surely be common knowledge that a very large percentage of the municipalities of England regularly have their accounts audited by Chartered Accountants, and that in many Scottish burghs an independent professional audit is compulsory. If any insult were implied by having a professional audit, it is safe to say that every business man of any experience must have been very considerably insulted upon several occasions. Where, however, the dignity of the accounting party suffers is, it seems to us, when he makes a fuss and resents that which every reasonable person knows to be desirable, and which by this time the great majority of persons have come to regard as highly necessary in the case of the London County Council accounts.

Income Tax Surveyors and alance Sheets.

The letter from Mr. M. Webster Jenkinson, which we reproduced in our last issue, revives a discussion of some interest. Here, as for that matter in most other cases, there is no doubt a good deal to be said upon both sides, but bearing in mind that income-tax officials are pledged to secrecy, and that by virtue of their office they must, of necessity, acquire a considerable amount of information concerning the private affairs of the public, we do not altogether appreciate Mr. Jenkinson's argument, which, we take it, is that Surveyors of Taxes would not be justified in regarding refusal to produce a copy of a Balance Sheet as a ground for suspicion as to the accuracy of the return; nor do we quite see why the case of public companies stands, of course, upon another footing. If the view taken be that the Surveyor must rest content with a Profit and Loss Account, it would appear to be equally applicable to all classes of undertakings. If, on the other hand, the question is one of the confidential nature of the information afforded by the Balance Sheet, we may point out that under the existing law a company is perfectly entitled to regard its Balance Sheet as a confidential document. We recognise a certain diffidence in the case of the taxpayer who has been on the verge of bankruptcy for some years, but in the nature of things exceptional cases cannot regulate rules. In the great majority of cases unquestionably the Surveyor is content to accept statements of fact from a Chartered Accountant without verification, but it must be borne in mind that Surveyors of Taxes frequently come across other classes of accountants in the course of their duties whose certificate could not safely be accepted without due inquiry.

The Constitution of the Court of Appeal.

The Lord Chancellor has consented to amend the Bill now before the House of Lords, to enable the six members of the Court of Appeal to sit in three divisions instead of two by providing that they may do so with the consent of the Lord Chancellor, "if he is satisfied that there is any special cause." The new words would doubtless have the effect of limiting a very undesirable innovation to times of urgency, but bearing in mind the huge accumulation of arrears at the present time, they would apparently have no practical effect for some considerable time to come.

The City and the Income Tax.

A largely-attended meeting of business men was held at the Cannon Street Hotel on the 22nd inst. for the purpose of pressing upon taxpayers, in view of the estimated surplus in the forthcoming Budget, the urgent necessity for income-tax reduction and reform, when a resolution was unanimously passed to the effect that, in the opinion of this meeting, the income-tax should be substantially reduced, particularly on earned incomes; that the question of raising the present abatement limit be considered; that the anomalous treatment of married persons be rectified; that the "average" system be

abolished; that a depreciation allowance on wasting assets be granted; and that every possible step be taken to prevent gross evasion of the tax, particularly by foreign traders. It is questionable whether all those who voted for this resolution had previously considered in detail all the numerous and somewhat technical questions involved. For our own part, we think the resolution would have stood a better chance of influencing the Chancellor of the Exchequer had it been limited to the first clause, relating to the substantial reduction in the rate of the tax.

Compulsory Accounting. Mr. Registrar Linklater is reported to have stated recently in the Bankruptcy Court that "the absence of books had amounted to quite a disease" in that Court, "especially in the case of foreigners," and, taking this as his text, a legal correspondent of *The Financial Times*, in the course of two ably-written articles, puts forward some interesting suggestions. He first of all draws attention to the fact that improperly kept and unbalanced books are more frequent even than the absence of books, and this points to a serious defect in the common law. A point is then made that while some of the Criminal Law Acts deal with false books and entries made or omitted with intent to defraud, there is no statutory obligation on the part of traders to keep books of account; neither is there any clause in the Partnership Act, or the measures relating to joint-stock concerns, which enacts that books of account shall be kept. In some cases, of course, the particulars required to be furnished to the authorities render books of account very necessary, but in general the objection is sound. Table A, of course, deals with this point indirectly, and it is hardly conceivable that the provision would be entirely avoided, for the attempt would be sufficiently obvious to cause suspicion. It is once again pointed out that the only penalty attaching to the absence of books of account lies in the suspension of the bankrupt's discharge, which latter privilege, judging from recent statistics and observations, is not exactly appreciated at its theoretical value. The second article describes very fully the provisions and the working of the Imperial Legal Codes in Germany, and these are declared to be the models worthy of emulation. The German commercial code came into operation in 1900, and among its 900 articles are several chapters relating to trade books and accounts common to various classes of industry. From the able summary of these provisions which our contemporary's correspondent quotes, we gather that all letters, originals received and copies of those despatched, must be kept for ten years, and all books of account for the same period from the date of the last entry in them. Every trader is required to prepare an inventory and a Balance Sheet on commencing business, and similar statements at the end of each financial year. Unfortunately, details of the books, &c., are not given, the writer being content to make the point that the code provides for such matters, and any neglect is an infringement of the law, whereas in England no obligations whatever are placed on the trading community. We wonder if we can prevail upon our Teutonic friends to enlighten us on the points in their commercial code which are of interest to accountants.

Bank Acceptances in New York. It is reported that a discussion has arisen in New York as to the adoption of the system of granting acceptances by banking institutions in that city. The whole point is, of course, as to whether such acceptances could be discounted as readily as is the case here, and it seems that expert opinion is by no means entirely at one on the matter. It has been pointed out that New York has quite enough on hand at present in financing the trade of the United States.

Penal Interest. In a bankruptcy case which came before Mr. Justice Bigham in the King's Bench Division last week it was stated that the trustee had incurred a liability of £109 18s. for penal interest at the rate of 20 per cent. in respect of £320 which had not been paid into the Bankruptcy Estates Account within the period prescribed by the Bankruptcy Acts. There were two points to be decided, the first of these being whether this penal interest, which was not disputed by the trustee, could be set off against a sum of £90 due by the estate to the trustee; and the second, whether the penal interest in question should be paid to the Treasury or to the Board of Trade. It transpired that the practice had been to treat such items as due to the Treasury, but in 1904 the point was submitted to Mr. Montague Muir Mackenzie, then Counsel to the Board of Trade, and he had expressed the opinion that the money should be treated as due to the bankrupt's estate. The Judge decided that the £90 could be set off against the £109, and that the penal interest was due to the bankrupt's estate and not to the Treasury.

Companies Amendment Act: New South Wales. It is reported that a new Companies Act has come into force in New South Wales, and we note that one of the principal clauses requires "foreign" companies to furnish certain particulars in line with the Annual List and Summary familiar in this country. "Foreign companies" is said to embrace every company or society formed or incorporated in any country, colony, or State other than New South Wales and carrying on business in New South Wales.

Bank Balance Sheets. It seems to be generally admitted in banking circles that no reform in the direction of Bank Balance Sheets and the Reserve problem can be effected immediately, so that the sub-committee appointed by the Committee of the Clearing Bankers will have plenty of time within which to consider these important questions. It may, perhaps rightly, be considered that the fact that a sub-committee has been appointed points to a recognition on the part of the leading bankers of the country that the recent criticism directed towards the matters referred to is not unreasonable.

Municipal Trading and Plant Registers. In a paper read by Mr. P. D. Leake, F.C.A., before the Institute of Directors last week, an interesting suggestion is made that municipal trading concerns and limited companies should keep a register of plant, ruled to record date of purchase, original cost, and an estimate of the effective life of each productive class. This is to be compulsory, and to be open to inspection by ratepayers and shareholders, without, however, involving any liability on directors. Mr. Leake holds the view that depreciation is as much an operative expense as operative wages.

Russian Bankruptcy Law. A financial contemporary states that, according to the law of Russia, a firm finding itself in difficulties may avoid actual bankruptcy by applying, presumably to the Courts, to have its affairs managed for a time by a committee of creditors, which is called an administration. We do not know how far it may be presumed that this process is binding on creditors, but if, as we imagine, it is, then the method seems to be quite an improvement on the working of our Deeds of Arrangement Act. It would be exceedingly interesting, and withal instructive, if a volume were available dealing with comparative bankruptcy legislation. We commend the suggestion to the sister profession in the event of the want not being already filled.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

In re The Kent Collieries, Lim.; Day v. The Company. Parker, J.

In the case of a bank holding debentures as security for an overdraft of considerably smaller amount, Held that, for purposes of voting, the bank might vote according to the face value of the debentures held.—(*Times*, March 23.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.]

Re Compensation Act.

(To the Editor of The Accountant.)

SIR,—As the benefits of the Act which comes into operation on 1st July are extended to office staffs, it will probably be interesting to the profession generally if your legal contributor will explain the position with regard to Articled Clerks.

In the majority of cases, no actual salary being payable, it is difficult to understand what liability, if any, is thrown upon the principal.

Yours faithfully,

HUMBLE & ARMSTRONG.

Newcastle-upon-Tyne, 21st March 1907.

Premium on Trustee's Bonds.

(To the Editor of The Accountant.)

SIR,—In my copy of your publication dated October 13th 1906 appears an article on Bankruptcy Reform by Harry L. Price, and I am more or less interested in the discussion of this paper by Mr. Palmer, from which, I assume, and more particularly from the reading of the seventh line on page 444, that the premium on bonds in bankruptcy proceedings in England is charged to the estate, and not to the liquidator personally.

The practice in Ontario is the reverse of this.

If my interpretation of Mr. Palmer's discussion is correct, will you be good enough to give me some cases determining the point in the Courts in England?

I have only been able to locate one, namely, *In re Lucas Parr v. Blain*, 1900-01, Irish Report 292.

Thanking you in anticipation,

I am, yours very truly,

Toronto, Ont., March 11 1907. OSLER WADE.

[The cost of a trustee's bond is payable out of the estate only if the committee of inspection so resolve.—ED. *Acct.*]

Income Tax not deducted from Rent.

(To the Editor of The Accountant.)

SIR,—The statutory provisions authorising a tenant to deduct landlord's property tax from his rent are:—5 & 6 Vict. c. 35, ss. 60, 73, 103; 16 & 17 Vict. c. 34, s. 40; 27 & 28 Vict. c. 18, s. 15, and the decisions on the subject are: *Denby v. Moore*, 1 Barnwall & Alderson 123 (1817), and *Cumming v. Bedborough*, 15 Meeson & Welsby 438 (1846), *Lamb v. Brewster*, 4 Q.B.D., 220, 607, (March 1879).

There appears to be no doubt that if the tenant omits to deduct the amount of the tax from his next payment of rent he loses the right to deduct it altogether.

Yours truly,

A. D. T.

Reviews.

The Elements of Bookkeeping.

By M. WEBSTER JENKINSON, A.C.A.

London, 1906: Edward Arnold, 41 and 43 Maddox Street, Bond Street, W. Price 1s. 6d.

The latest addition to the already somewhat numerous elementary works on bookkeeping possesses many advantages over most of its predecessors, the principles involved being clearly explained, the work well arranged, and provided with a sufficiency of forms to further illustrate the explanations. A fairly liberal supply of exercises is also included, and these will be found most welcome by all who may wish to use the work for teaching purposes. Mr. Jenkinson does not attempt to cover much more than the elements of double-entry bookkeeping in the two hundred pages at his disposal, but he covers the ground very thoroughly so far as he goes.

Popular Financial Booklets.

London, 1907: *The Review of Reviews*, 2 Waterloo Place, S.W. Price 1d. each.

Under this heading the proprietors of *The Review of Reviews* are producing a series of financial articles of somewhat unequal merit but decidedly of interest. At the time of writing we have twelve such articles before us, which deal *inter alia* with such subjects as "How to read a Balance Sheet," "Professional Men as Investors," "Investment Crises," and "The Outlook of Brewery Investments," all of which will be found of interest. Others—such, for instance, as "A Labour Budget," and "The Municipal Rake's Progress"—must, it seems to us, be ranked as political pamplets, rather than as serious contributions on technical subjects.

The Workmen's Compensation Act, 1906, with Notes.

By W. ADDINGTON WILLIS, LL.B., (Lond.), of the Inner Temple, Barrister-at-Law.

London, 1907: Butterworth & Co. and Shaw & Sons.

Ninth Edition. Price 2s. 6d. net.

"Bis dat qui cito dat" is Mr. Willis's motto in presenting us with the ninth edition of this handy little book on workmen's compensation, and he is amply justified in so doing, for, as is well-known, this branch of the law has been immensely extended and altered by the Act of 1906. That Act, it is true, does not come into force until July next, but at that date there will fall within its ample ambit practically every contract of service—including those of seamen and domestic servants. The various interests affected under those two heads of contract alone are, of course, in a community such as ours innumerable, and it is well that all who are so desirous may have this early opportunity of acquainting themselves with their respective rights and liabilities thereunder.

Bankruptcy Reform.

By Allen Edwards.

(From *the Jeweller and Metalworker.*)

Officialism and Non-Officialism.

In the introductory portion of this article (reproduced in *The Accountant*, *ante*, pages 156 and 253) the writer stated it was generally believed that the new bankruptcy legislation, when it came, would be in the direction of an increase in officialism. The King's Speech for the current Session of Parliament has been published, and, upon reading it, it would not appear that the proposed new legislation will be embarked upon at present. The Departmental Committee have yet to present their report; in fact, the writer believes they have not yet completed the taking of their evidence. It may be that no increase in officialism will be attempted, but, bearing in mind what was attempted in the Bankruptcy Bill of 1890, there is good ground for believing that it may be. The reader is referred to certain extracts from the 5th, 8th, 9th, and 10th reports of the Board of Trade, quoted in the first part of this article, by which it would appear that the Board were apparently not hostile to private arrangements. The Bill of 1890, however, would have killed them. Firstly, by making the execution of a deed an available act of bankruptcy for six months instead of three months as at present; and, secondly, by making it possible for a creditor of £20 to lodge a petition in bankruptcy, the limit now being £50. Every bankruptcy practitioner knows that if the Bill of 1890 had been passed in its original form it would have put an end to private arrangements, and thus, indirectly, would have extended officialism.

Now, let us consider what the Bill of 1890 further contemplated. Section 121 of the Act of 1883 provides that in small bankruptcies (that is, where the Official Receiver reports to the Court that the property of the debtor is not likely to exceed in value £300), if the debtor is adjudged bankrupt, the Official Receiver shall be the trustee, and there shall be no committee of inspection, provided that the creditors do not, by a special resolution, resolve that some person other than the Official Receiver be appointed trustee. It is well known that the Official Receivers frequently act in cases where the assets exceed £300. They claim to do this by virtue of Section 70, Sub-section G, of the Act 1883, which authorises the Official Receiver in any bankruptcy to act as trustee during any vacancy in the office of trustee. It appears to the writer that this may be somewhat straining the powers of the sub-section, and that if a person owing money to a bankrupt estate (other than a summary case), which was being administered by an Official Receiver as trustee, were to be sued by such trustee, he would have ground for contending that the Official Receiver trustee was not legally appointed, and, therefore, that in suing he was acting *ultra vires*.

The above in some instances may be repeating what the writer has before stated, but repetition is perhaps necessary in order to make the present portion of the article clear to those who have not read the first two portions.

The Bill of 1890 would have altered the limit in summary cases (where the Official Receiver may act as trustee), which is now £300, to £500, and Mr. Chamberlain would have altered it to £1,000. All the clauses in the Bill, however, to which we have referred were thrown out, and thus the Board of Trade were defeated in their endeavours to increase the sphere of their "official" operations.

The Non-Official Trustee.

The writer contends that the non-official trustee, that is, the ordinary professional bankruptcy practitioner, is the direct creation of Parliament. In introducing the Bankruptcy Bill of 1869, the Attorney-General, Sir Robert Collyer (afterwards Lord Monkswell), said on March 5 1869 as follows, viz.:—

> "If they did proceed in bankruptcy they would elect a trustee. Now that trustee was not to be an official of the Court; he might be anybody whomsoever they might select. Their choice was absolutely unfettered. They would select their own trustee, and decide on the terms of his remuneration. That was essentially the Scotch system. In Scotland the effect of the system had been to call into existence a number of persons who made the office of trusteeship a kind of profession, and they succeeded in proportion to their diligence, capability, and trustworthiness. If a trustee did not manage an estate well, and only realised small dividends, he would not get much employment. It was in this as in other professions. The effect of a similar law in this country would, he believed, be to create a similar profession, so that there would be no difficulty in the way of creditors in the choice of able and efficient trustees."

These words were spoken thirty-eight years ago, and there can be no doubt that the effect of them, and the passing of the Act which they advocated, operated to a very large extent in the creation of the accountant trustee. That is to say, hundreds, if not thousands, of men have been induced to train themselves, among other things, in order that they may be qualified to serve the public in the direction pointed out by Sir Robert Collyer. It is no uncommon thing for an accountant pupil to pay a premium of 300 guineas upon entering an office. The examinations extend over a period of five years, and every year become more severe. Until these examinations are passed, as a general rule, the pupil cannot be said to be a wage-earner, and the education of an accountant student, from first to last, may cost upwards of £1,000. The accountant, when in practice,

judging by the amount of honorary work which he does for the public, is perhaps a better citizen than most other men. Therefore, bearing all these and other facts in consideration, it seems to the writer extremely unreasonable for the Board of Trade to be continually attempting to encroach upon the privileges of accountant trustees. Why should they seek to take away from the qualified man who pays his rates and taxes, and supports his family, the means by which he lives, and divert those means to public officials, who enjoy their offices, sometimes, more by favouritism than from any trained facility to do the work appertaining to the offices to which they are appointed?

What do the Board of Trade Claim?

Judging by their annual published reports, which contain statistics of an extremely voluminous nature, the Board of Trade appear to claim that the expenses of official realisations in bankruptcy are less than those of unofficial realisations. The writer does not admit this to be the case, whatever figures may be brought to bear upon the controversy. Even admitting that figures can prove official realisations to be cheaper than unofficial realisations, this would not necessarily prove that they are more advantageous to creditors. As a general rule the Official Receiver trustee is not an expert in any particular line of business, but has to embrace all businesses which come under his notice. On the other hand, the non-official trustee, as a rule, confines himself to particular branches of insolvency. It is well known that there are a number of firms in London and Manchester who confine their attention almost exclusively to the drapery trade; others take up grocery cases, others jewellery cases, and so on. It must follow that if a practitioner works in the drapery trade for a number of years he must of necessity acquire a special knowledge of the trade which no Official Receiver would possess, and the same may be said of other trades. Nothing is easier than for an official trustee to put an estate into the hands of an auctioneer for sale without reserve. The non-official specialist trustee, however, rarely does this, because his experience teaches him that there are other and more advantageous ways of dealing with insolvent businesses, the result being that the goodwill oftentimes is preserved, and the amount of the realisation is thus very much greater than if sold by auction. To put this in another way, let us assume that an Official Receiver is trustee in a case where the assets realise just under £300, and that the expenses amount to 25 per cent. There would thus be £225 for division among the ordinary creditors and for the preferential payments. If the estate had been in the hands of a non-official trustee, instead of realising £300, his experience might have enabled him to have realised £500. Assuming, for the sake of argument, that the total expenses were 30 per cent., instead of there being £225 to divide among the creditors, as in the former case, there would be £350. Further than this, the comparisons in the Board of Trade reports are unfair, and for this reason. The charges for realisation are fixed, but the salaries of all Official Receivers are not dependent upon the estates which they deal with. All bankruptcy estates, whether in the hands of official or non-official trustees, have to pay toll to the Board of Trade, and, moreover, the Board also receive the interest upon the funds and unclaimed dividends in hand. Let us assume that there is a bankruptcy non-official practitioner named Benjamin Jones. If Benjamin Jones, in addition to being paid in respect of the estates which he himself administers, were to be paid also certain percentages in respect of estates administered by all other practitioners, and if, in addition to this, he were to receive the interest upon all bankruptcy funds and unclaimed dividends in hand throughout the country, it stands to sense that he would be able to do his work at a cheaper rate. The official trustee will run no risks. It is well known that a non-official trustee oftentimes, on behalf of his clients, runs very serious risks indeed. The Official Receiver trustee has no committee of inspection, and works upon fixed rules, from which he may not diverge, unless he receives from creditors something equal to a Bank of England guarantee. The non-official trustee submits every phase of the realisation to his committee, and the committee remunerate him according to his deserts. It is not denied that there are black sheep among bankruptcy practitioners, as there are in every profession; but in the first portion of this article the writer showed how these might be dealt with. If Board of Trade certificates were compulsory, all that need be done would be for the certificates to be withheld in the cases of practitioners against whom complaints of wrong-doing could be substantiated.

What are the Points at Issue?

The Board of Trade will probably argue that it is in the interests of the creditors and of the commercial community that they should wind up a larger portion of bankrupt estates, but the writer, whose experience has been pretty considerable, has never yet met with any body of creditors or any trade organisation which would, in this, agree with the Board. The Board have in their employ a certain number of men and youths, who are always, naturally and legitimately, anxious for promotion. Experience has, however shown that not so many cases go into bankruptcy as was originally expected. The result is that probably the Board of Trade officials are not so fully occupied as to enable the authorities to deal with them, as regards promotion, as they might wish, and, therefore, in order to find more work for their staff, their idea of justice is to take away his legitimate work from the non-official practitioner, who is the direct creation of Parliament, as we have shown, and give it to themselves. To put it in still another way, to take the work from the specialist who has perhaps given a life's study

to qualify himself to do it, and who has the confidence of all sections of a particular trade and to give it to an official respecting whom the public has no security that he has ever received any proper training for his work.

What have we seen lately? The late Official Receiver for Birmingham was compulsorily retired on reaching the age of sixty-five, when he was perfectly able and willing to continue in his office. This was not permitted, two of the reasons given being that it was not in accordance with the rules of the service, and that it prevented the flow of promotion. Therefore, the Official Receiver had to go, although he contended that the rules referred to were made years after his appointment, and that he had had no voice in the consideration of them. Further than this, if the compulsory retirement referred to was insisted upon, because otherwise the flow of promotion would have been interfered with, how is the appointment of the new Official Receiver for Merthyr Tydfil, who was not on the staff of the Board of Trade, and who, the writer is informed, was a journalist, explained? The questions that naturally arise are these—viz., first, Has the new officer had a proper training for the position to which he has been appointed, and can his experience in insolvency work be as great as that of the non-official specialist who has given a life-long consideration to his profession, or of the official who has been years in the service? The second question is, Why was *an outsider* appointed, when the late Birmingham Official Receiver was compulsorily retired, for the alleged reason of allowing the flow of promotion *in the service* to go forward?

According to the *Daily Chronicle*, in the early days of the Act of 1883, a flour merchant, a mining engineer, and a chemist were appointed Official Receivers. It is quite possible to believe all the gentlemen we have referred to as quite capable of performing their official duties, but it seems too much to expect the public to bestow the same amount of confidence upon such officers, as they would upon those who have had a life-long apprenticeship from boyhood to the work, for which, in the public service, they have devoted their lives.

What was said of Officialism in 1869.

It will probably be remembered that the distinguishing feature of the Bankruptcy Act of 1869 was the abolition of officialism and official assignees. It may be interesting at the present time to recall some of the statements that were made in Parliament on the introduction of the Bill, or when it was under consideration, and elsewhere. On March 5 1869 Sir Robert Collyer, Attorney-General, said as follows:—

> "More than sixty years ago Lord Eldon, speaking of the then Bankruptcy Act, said, that in a number of cases its provisions were little more than stock-in-trade for Commissioners, assignees, and other officers, and the present bankruptcy law had been spoken of in terms of condemnation no less strong by the highest legal authorities in both Houses, and by the most eminent commercial men.
>
> . . . . . .
>
> "It was right that the House should bear in mind the principal evils of the present system. One of these appeared to be that the Commissioners who administered the affairs of bankruptcy—he alluded principally to those of the principal Court in London—though undoubtedly able men and faithful public servants, had failed to obtain the confidence of the public.
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> . . . . . .
>
> "The Bankruptcy Courts were overloaded by worse than useless officials who have helped to devour bankruptcy estates, and the result was that there had been much delay and negligence in collecting the effects of bankrupts, that those effects had been in many cases divided unequally, that in other cases in minute portions, and after a long delay. The collection and distribution had been enormously expensive, and the public for these reasons dreaded the Court of Bankruptcy, and creditors were ready to agree to anything in order to avoid that tribunal. Such had been the dread of the Court of Bankruptcy that debtors had held it *in terrorem* over the heads of their creditors in order to force them into unfair compositions."

Mr. Barnett, M.P., said:—

> "The existing law had been felt by all persons engaged in trade to be a disgrace to our code for several years past."

Sir Francis Crossley, M.P., said:—

> "At present it was found that the bankruptcy law was so eaten up with officialism and expenses that a debtor had only to threaten his creditors that if they did not accept the composition he offered, he would go through the Bankruptcy Court in order to induce them to accept whatever he chose to offer."

Mr. P. H. Muntz, M.P., said:—

> "It (the new Bankruptcy Bill) would meet the wishes of a vast number of the commercial classes, and especially of a large class in the town he represented (Birmingham), and if it passed this session, which he trusted it would, it would relieve the country from one of the greatest grievances of the day. The present law was nothing but cheating made easy."

It would be difficult to found a stronger indictment against officialism than that contained in the extracts from the speeches which we have quoted.

Let us now consider for a moment two or three short extracts from other speeches made in Parliament or elsewhere. On March 19 1883, on the introduction of the 1883 Bill, Sir Edward Clarke, then Mr. Edward Clarke, said:—

> "He did not recognise it as one of the duties of legislation to improve the tone of commercial morality. . . . He did not believe the Bill would achieve the principal object, the speedy distribution of assets; there never was anything speedy about a public office."

On the same day Sir Hardinge Giffard, the present Earl of Halsbury, said as follows :—

"The keynote of the present Bill was also its worst feature—viz., that the administration of a defaulting debtor's affairs was to be committed to a department of the Government."

Herbert Spencer has said :—

"A comparatively small body of officials, coherent, having common interests, and acting under central authority, has an immense advantage over an incoherent public which has no settled policy, and can be brought to act unitedly only under strong provocation. Hence an organisation of officials, once passing a certain stage of growth, becomes less and less resistable, as we see in the bureaucracies of the Continent."

John Stuart Mill has said :—

"The tendency on the part of public authorities to stretch their interference ought to be watched with unremitting jealousy."

Lord Hatherley has said :—

"The principle on which all bankruptcy laws ought to be framed was to leave everybody to manage their own affairs, taking every precaution against abuse."

Has the Officialism of the Act of 1883 *been Popular.*

We have on more than one occasion in these articles pointed out what was intended in the Bankruptcy Bill of 1890 in the direction of the increase in officialism, and which failed, as it deserved to fail. It may be useful now to recall some expressions of opinion uttered against the increase of officialism which was endeavoured to be made at the time (1890).

The London Chamber of Commerce reported as follows :—

"Your Committee have carefully considered the Bill, clause by clause, and are strongly of opinion, if passed as it stands, the Bill will almost completely prevent creditors having the control over the assets of estates to which they are justly entitled, and it would hand over to officials of the Court the realisation thereof. Experience has conclusively shown that such a course is neither economical nor calculated to benefit either debtors, creditors, or the public generally, and your Committee feel very strongly that the property of an insolvent debtor should belong to his creditors, who are the proper and indeed the only persons who should decide how that property is to be dealt with."

The Birmingham Chamber of Commerce reported :—

"That in the opinion of this Council Clause 19 should be erased on the grounds that it is not desirable to increase the area of summary administration by the Official Receiver. That the new clause proposed by Sir Albert Rollit, M.P., instead of Clause 2, should not be accepted, as a £50 limit is found in practice to be quite low enough."

The Hull Incorporated Law Society reported as follows :—

"If the limit of a petitioning creditor's debt be reduced to £20, it will enable a single small creditor to drive a large estate into bankruptcy, and will afford greater facilities for 'blackmailing' on the part of small creditors. If a small creditor of £20 desires bankruptcy, he can now procure the assistance of one or two other creditors to make up the claim of £50, and thus ensure bankruptcy. In the Society's opinion the limit of £50 is sufficiently low. It was originally £100 under the Act of 1849.

Section 3.—The proposed substitution of six months as the time during which an act of bankruptcy is available, and the period of 'relation back,' instead of three months, is most objectionable. At present, unless all the creditors have assented, no deed of assignment or private arrangement can be concluded in less than three months for fear a bankruptcy petition should be filed. This period is already too long, and, in the Society's opinion, six weeks ought only to be available for a bankruptcy petition in the cases of the foregoing acts of bankruptcy, numbered 'a' and 'h.'

Section 8, sub-section 3, is most objectionable, as it removes disqualification now existing upon the Official Receiver being trustee of the bankrupt's property except in small cases. By the proposed alteration, if any hitch takes place in the appointment of a trustee the Official Receiver would occupy the place, without giving the creditors any option of appointing a fresh trustee, as they have at present. The object of this section appears to be to largely increase the chances of the Official Receiver becoming trustee in all cases."

The Birmingham Law Society reported as follows :—

Substance of Sections to which objection is taken.	*Objections.*
Section 2 enables a creditor whose debt amounts to £20, or two or more creditors, the aggregate amount of whose debts is at least £20, to present a bankruptcy petition, the corresponding limit at present being £50.	This section should be omitted. The present limit of £50 is sufficiently low, and any reduction would only afford facilities for small creditors to obtain an unfair preference, by means of the threat, which they would not be slow in many cases to use, of bankruptcy proceedings.
Sections 3 and 18 extend the period from three to six months, within which an act of bankruptcy must have occurred to be available as a basis for a petition, and provide that the bankruptcy is to have relation back for the same period.	These provisions are most undesirable, and this for several reasons. (*a*) It is most important that *bonâ fide* transactions should not be impeached after too long a period. If a man commits an act of bankruptcy, it should be acted upon quickly if at all. (*b*) Experience has shown that the present limit of three months is ample for all practical purposes. (*c*) Even now no private arrangement can be concluded in less than three months for

fear of a petition, and the proposed extension would practically delay all dividends under private arrangements for at least from seven to nine months from the date of the deed. (*d*) The practical effect of these sections would again be to preclude the possibility of a private arrangement being carried out, as to which more is said below.

Section 19 extends the limit of summary cases from estates of £300 to those of £500, and prescribes that for an order to appoint a trustee, other than the Official Receiver, the resolution must be passed by a majority in number and three-fourths in value of all the creditors who have proved.

It is submitted that the proposed extension is not required, and will be the means of still further withdrawing the estates from the control of creditors. The alteration proposed by the latter part of the section is open to the same objections as were urged on Section 8 (3) of the Bill.

The following is an extract from a petition against the Bill presented by leading bankers, merchants and others, in Birmingham, viz. :—

"That the said Bill contains many provisions which, in the opinion of your petitioners, would seriously curtail the present power of creditors over insolvent estates, and would materially add to the expenses of realising the same for the benefit of the creditors.

That your petitioners respectfully submit that some of the proposed clauses dealing with private arrangements will materially affect the control which creditors are entitled to have over the estates of their debtors, will delay the distribution of assets, and increase the cost of realisation. Your petitioners also respectfully submit that the proposed increase of the powers possessed by Official Receivers will be detrimental to the interests of creditors and the trading community generally; and that there has been no public call or demand for the proposed alterations, which will be affected if the Bill become law.

And they trust that your honourable House will be pleased to reject the said Bill, or require the modification of the said clauses."

The Liverpool Provision Trade Association and Exchange Company, Lim., reported as follows, viz. :—

"That in the opinion of this meeting it is inexpedient that the right to present a petition for a receiving order against a debtor should be granted to a creditor for the sum of £20, as proposed by Section 2 of the Bill. This meeting is of opinion that it is not to the interests of the trading community that a receiving order should be obtained in respect of a debt for a smaller sum than £50, and that the interests of creditors for smaller sums are sufficiently protected by the right of two or more creditors to join in a petition so as to secure an aggregate debt of £50.

That in the opinion of this meeting the provisions of Section 6, Sub-section (3) of the principal Act under which a petition for a receiving order may be grounded, on an act of bankruptcy committed within three months, does not call for amendment; that the extension of the period during which an act of bankruptcy continues in force is undesirable, as producing confusion and distrust in the course of trade. That instances of fraudulent preference have in practice been too few in number, and insignificant in amount, to warrant the proposed amendment.

That in the opinion of this meeting the operation of Sub-sections 5, 6, 7, and 8, of Section 21, and of Section 121 of the principal Act has been satisfactory, and does not call for any amendment. Any addition to the powers of Official Receivers to act as trustees is inexpedient, as tending to prejudice the due discharge of the quasi-judicial functions now devolving upon them, and to increase the cost of administration of insolvent estates without supplying any equivalent advantages. The application of the summary realisation clauses of the principal Act to estates in which the assets do not exceed £300 is satisfactory, and any extension thereof would tend to the prejudice of the rights and interests of creditors."

"That the power of creditors to make private arrangement with their debtors is beneficial to the trading community, and should not be restricted. That any objections to private arrangements have been removed by the provisions of the Deeds of Arrangement Registration Act."

The Birmingham Jewellers' and Silversmiths' Association reported as follows :—

"Section 2.—The Committee are of opinion that unless the estate be under £300, the £50 limit for making a person bankrupt is quite low enough. To reduce it will be to open the door to a very large amount of fraudulent preference in the carrying through of private arrangements.

Section 3.—The Committee are of opinion that three months is quite long enough for the relation back of an act of bankruptcy, as the six months' period suggested by the Bill would render private arrangement very difficult to carry through."

At a meeting of the Birmingham Jewellers' and Silversmiths' Association, held on June 17th 1890, the following resolutions, among others, were passed, viz. :—

"That the Committee approves the amendment of Mr. T. H. Bolton, as follows :—

'Page 8: Leave out Clause 19, as, in the opinion of the Committee, the retention of the clause would have the effect of depriving creditors of the control of their own property, by rendering it impracticable for them to appoint their own nominee as trustee where the assets exceeded £300. Also, that in many parts of the country Official Receivers are

not paid by salary, and it would be contrary to the spirit of the principal Act if they were to have a greater pecuniary interest in bankruptcy liquidations than they at present possess. The present limit of £300 has worked satisfactorily. If it were increased, considerable dissatisfaction would ensue. At the present time many *bona fide* Trade Associations supervise liquidations in the interests of the general body of the creditors, thus preventing the evils which used to exist in the past.' "

Clause 2.

"The Committee are strongly opposed to Sir Albert Rollit's new clause (page 58 of the Amendment paper), as they are of opinion that such a clause would play into the hands of the smaller creditors at the expense of the larger ones. The old limit of £50 is, they find by experience, quite low enough."

"The Committee cordially support Mr. T. H. Bolton's amendment, on page 58 :—

'Where a debtor has executed a deed of arrangement, which has been or can be duly registered under the Act of 1887, the relation back of the act of bankruptcy shall be read and construed as one month instead of three months, and any such deed, as has been assented to in writing by creditors, representing a majority in number (of those whose debts exceed £10), and a majority in value, shall not be deemed to be an act of bankruptcy, and nothing in the principal Act or this Act shall affect the validity of such deed, or any act performed thereunder.' "

The London Tea, Grocery, Provision and Allied Trades reported upon the Bill as follows, viz. :—

"Your Committee have carefully considered the Bill, clause by clause, and are more strongly of opinion than ever that, if passed as it stands, the Bill would almost completely prevent creditors having the control over the assets of estates to which they are justly entitled, and it would hand over to officials of the Court the realisation thereof. Experience has conclusively shown that such a course is neither economical nor calculated to benefit either debtors, creditors, or the public generally, and your Committee feel very strongly that the property of an insolvent debtor should belong to his creditors, who are the proper and indeed the only persons who should decide how that property is to be dealt with.

The Bill is evidently framed to further the financial interests of a Government Department which, according to published reports, has been carried on at a loss; and moreover, if passed, it would practically repeal the Act of 1887, which provides for the registration of deeds of arrangement, and has been received with considerable favour.

Under the circumstances your Committee ask the trade to seriously consider whether such a retrograde step as a return to officialism should be tolerated for a moment, and they venture to suggest that if the Bill be not withdrawn, at least the important clauses should be amended, so as to counteract the evident tendency to officialism."

The wholesale drapery trade resolved, *inter alia*, as follows :—

"This meeting is of opinion that it is not in the interests of the trading community that a receiving order should be obtainable in respect of a debt for a smaller sum than £50, and that the interests of creditors for smaller sums are sufficiently protected by the right of two or more creditors to join in a petition so as to secure an aggregate debt of £50.

That in the opinion of this meeting the provisions of Section 6, Sub-section (*c*) of the principal Act, under which a petition for a receiving order may be grounded on an act of bankruptcy committed within three months, does not call for amendment; that the extension of the period during which an act of bankruptcy continues in force is undesirable, as producing confusion and distrust in the course of trade.

Any addition to the powers of Official Receivers to act as trustees is inexpedient, as tending to prejudice the due discharge of the quasi-judicial functions now devolving on them, and to increase the cost of administration of insolvent estates, without supplying any equivalent advantage.

That the power of creditors to make private arrangements with their debtors is beneficial to the trading community, and should not be restricted."

The above resolutions were adopted by the wholesale drapers on April 18 1890. The following resolutions of the same body were (*inter alia*) adopted on November 30 1906 :—

"This meeting is of opinion that the existing right of creditors to make voluntary arrangements and compositions with insolvent debtors under the provisions of the Deeds of Arrangement Act, 1887, is convenient and valuable to the trading community, and does not require amendment nor official control.

That voluntary arrangements offer greater inducements to debtors to come before their creditors with a larger amount of assets in proportion to their liabilities than is the case in bankruptcy, and the immediate control obtained under such arrangements avoids the loss which frequently arises during the currency of bankruptcy proceedings prior to a receiving order.

That voluntary arrangements under the provisions of the existing statute have worked satisfactorily and economically, and to the advantage of the trading community, and that this trade would deprecate any alteration in the law which would put the terms and conditions of arrangements or compositions, or the assets of debtors' estates, under official control."

The London Wholesale Jewellers' and Allied Trades' Association, in their 1906 report, state as follows :—

"Bankruptcy is unpopular, without a doubt, and with the trade having passed through a severe crisis during the last few years it is not always surprising that creditors should assist their debtors in avoiding the Bankruptcy Courts. That the Bankruptcy Court is not all that it should be is tacitly admitted by the fact that a Commission has been appointed to inquire into the subject. It is a pity that bankruptcy is so unpopular, as during the year under review what has struck those most concerned has been the large number of instances where arrangements submitted to and agreed to by creditors have not been carried out in their original form, and have had to be modified by the unfortunate committees of inspection. The results have sometimes been disastrous."

The following are a few extracts from a report upon officialism of the Council of the Law Society, adopted July 28 1905:—

"The official systems have not been successful. They do not pay their way. They are not popular. It was recently stated in the journal of the Society of Comparative Legislation that the English system of bankruptcy is the most expensive in the world.

. . . . . .

The two Insolvency Departments issue year by year elaborate and costly reports with endless pages of figures, of which the obvious motive is to justify their existence, and which yet indisputably prove that the persons interested, whether creditors or shareholders, do not appreciate their services.

. . . . . .

It will, indeed, be seen from the statements made below that owing to the inherent objection entertained by English business people to the undue interference of State-paid officials with their business affairs, the amount of work which has fallen to the hands of these official departments has sensibly diminished, and there is little doubt that if it were not for the great and unfair advantages given by the present state of the law to officials in competing with professional men, the administrative work of these departments would soon become of far less importance than is now the case.

. . . . . .

It is clear that this state of affairs is not popular among creditors. There is a growing tendency to withdraw the realisation of insolvent estates from the Courts administering the Bankruptcy Act, and to entrust it to assignees nominated or approved by the creditors themselves.

. . . . . .

Nor is it surprising that creditors prefer the unofficial system of administration under a deed. It appears from the Board of Trade annual report, published in 1904, that whether a composition is accepted or the estate is fully administered, the pecuniary result is, as a rule, far more beneficial to the creditors in the case of a deed of arrangement than where a receiving order is made. One reason for this is that an administration under a deed is less costly than in bankruptcy. From the same report it appeared that the proportion per cent. of costs to gross assets realised under the three systems of administration stand as follows:—

	Per cent.
*Estates wound up by Official Receivers ...	32.40
Estates wound up in bankruptcy by Non-Official Trustees	30.00
Estates wound up under deeds of arrangement	18.49

It is important to bear in mind that in very many cases the trustee under a deed is a man having a special connection with the trade carried on by the debtor and his creditors and therefore possessing special knowledge and opportunities which enable him to realise the estate to advantage.

. . . . . .

In spite of repeated proofs that officialism is always costly, that it in almost every case tends to become negligent and effete, that it is practically impossible to restrict or abolish an official system, if it proves to be a failure, that the best work is always the result of individual effort and competition, and that a system by which a host of salaried officials are established throughout the country to do work which has hitherto formed the means of support of private persons is unjust, and in the end ruinous to all private enterprise—in spite of all this, there is far too much reason to complain of the continued extension of the system.

. . . . . .

Nor when once an Official Department is started does it seem possible to abolish or even to reduce it. The officers and clerks with which it has been supplied have been withdrawn from the ordinary work of the community, and they know that if they are discharged they will find their places filled up, and that, instead of enjoying comfortable salaries and pensions, they will have to start life afresh. Is it surprising that the instinct of self-preservation induces them to do all in their power to fortify their own official position and to prejudice private enterprise?

. . . . . .

The work of a Government or Official Department will rarely bear comparison with that undertaken by

* It is fair to the Board of Trade, when considering these percentages, to bear in mind that the Board deal, as a rule, with smaller estates than do non-official trustees.

private enterprise, nor, considering the absence of competition in the public service, is it likely ever to do so. Government officials, as a rule, improve their positions only by adding to the number of their years. Too great zeal, which might cause a reflection upon more easy-going officials, is discouraged. No merchant or manufacturer could expect his business to thrive if he managed his staff upon such terms. The great works which have been carried out in this country have been the result, in almost every instance, of private enterprise, which has received hindrance rather than assistance from Government officials.

. . . . . .

It may be difficult to induce Parliament to retrace steps that have already been taken until the lapse of time has shown more clearly, even than at present, how erroneous those steps have been. But the Committee earnestly hope that the further extension of officialism may be arrested, and that, especially as regards attempts to create any new Official Departments, the maxim *obsta principiis* may be rigidly applied."

In November 1894 125 of the principal bankers and merchants in London signed a memorial addressed to the Lord Chancellor, in which they stated that, in their opinion, it was very desirable that competition on the part of officials with persons engaged in professional or mercantile occupations should be restricted within the narrowest possible limits, and that in cases of insolvency the duties of an Official Department should be confined to investigation and audit, and to the prosecution of offenders.

From the *Standard*, October 11 1890:—

"Unhappily for Mr. Smith (Inspector-General in Bankruptcy) and his officials, there is another side to the tale; and, first of all, it has to be noted that the Official Receivers now rarely, if ever, handle an estate large enough to show assets exceeding £4,000. This does not prove that such estates do not exist; it merely emphasises the fact that the mercantile community will have nothing to say to the new Act and its administrators when they can possibly avoid it. The matter has even gone further than that. Traders of all classes are, to an increasing extent, avoiding all forms of bankruptcy—as, indeed, Mr. Smith admits. Private arrangements are the order of the day, and no wonder, when the cost of bankruptcy proceedings is considered. A very small estate might almost as well be burnt or flung into the sea as put under bankruptcy."

What Expenses are now chargeable by the Board of Trade.

In the first place, the department receives the bank interest upon all bankruptcy money, including unclaimed dividends, in hand. Mr. Chamberlain estimated that this would produce £25,000 a year. For the year ending March 31 1906 the amount appears to have been £17,757. The fees and percentages payable to the department are far too numerous to be mentioned here. We will, however, refer to a few of them. Upon every bankruptcy petition the sum of £5 has to be paid. To every proof of debt of £2 and upwards a stamp of 1s. has to be affixed. If a local banking account is applied for, the fees amount to £3. Every application to the Court to approve a composition has to be supported by a fee of £1 per cent. up to the first £5,000 (gross amount of the composition). On every audit by the Board of Trade the charge is £1 per cent. upon the first £5,000 assets realised. When a trustee applies for his release the chargs is 2s. 6d. per cent. upon the assets realised. When the Official Receiver realises assets he charges £5 per cent. up to the first £1,000. (*Note.*—The effect of this is sometimes ludicrous. For example, a trustee under a deed of assignment may have realised most of the estate during the first two and a-half months of the continuance of the deed. The estate may then go into bankruptcy, and the trustee have to hand over the whole of his balance to the Official Receiver. For merely *receiving* this balance up to £1,000 the Official Receiver is authorised to charge 5 per cent.)

If an Official Receiver, acting as trustee in an ordinary case, pays a dividend, he is entitled to charge 2½ per cent. upon the first £1,000. Where an Official Receiver summons a first meeting of creditors in cases where the assets exceed £100, he is entitled to charge 1s. for each creditor summoned, and a further 1s. for each creditor for the use of the meeting room. These charges do not cover the expenses of printing or stationery. For supervising a special manager, the Official Receiver may charge from £1 to £5 per week, according to the size of the estate.

There are many other fees which are charged, but which space does not permit reference to.

In addition to the above fees, to which the writer must be understood as offering no objection, he would increase the income of the Board of Trade in the following way, viz.:—

(1) By the fees, probably two guineas each, payable when the annual certificates of insolvency practitioners are taken out.

(2) By allowing the same fees to be charged in the audits under deeds of arrangement as in bankruptcy.

(3) There would probably be some further fees under private arrangements, if trustees under these arrangements were compelled to find security as in the case of bankruptcy.

The following are the particulars of the expenses of the Bankruptcy Department for the year ending March 31 1906, as per the 23rd Annual Report of the Inspector-General, viz.:—

	£	s	d
Salaries of Officers, &c. (not including Salaries of Judges either of the Supreme Court or County Courts)	110,717	0	0
Remuneration to County Court Registrars in respect of Bankruptcy business ..	22,974	0	0
Incidental and Travelling Expenses, including Postage	6,830	0	0
Rent, Rates, Taxes, &c.	9,010	0	0
Stationery	9,016	0	0
Pensions and Compensations since January 1st 1884	4,772	0	0
Estimated cost of Audit	228	0	0
	£163,547	0	0

In introducing the Bill of 1883, Mr. Chamberlain said:—

"The new appointments would probably be few in number, and the expense of these officers was estimated at about £50,000 per annum, exclusive of some additions to the cost of the Board of Trade and of the Audit Department under the Controller in Bankruptcy."

Personal.

Mr. F. J. Livesey, F.C.A., has removed from 41 Finsbury Pavement, E.C., to 63 Coleman Street, E.C.

Mr. F. W. Baber, Chartered Accountant, of 5 Exchange Buildings, Corn Street, Bristol, announces that he has taken into partnership Mr. John Hyde Haslewood Perks, A.C.A. (who has for several years been associated with him in the conduct of his business) and that they will practise at the above address under the style of Baber, Perks & Co.

Antique Accountants.

If we are to credit a report by the Riga Consul of the United States, accountancy in some parts of Russia is still in a very primitive stage. He thinks the country offers an opening for American "adding" machines. Offices of every description, and all retail stores, invariably use, he says, the ancient abacus in their daily business transactions. The abacus is an oblong frame, across which are stretched several wires, each supplied with ten balls. The balls on the under wire represents units, those on the next above it tens, and so on to hundreds, thousands, &c. As this contrivance is used for the simplest transactions, it is very probable that with the proper effort—such as the cash register manufacturers employ—a cheap automatic adding machine would find a large market in Russia.

Companies Bill.

Memorandum.

This Bill is founded upon the recommendations of the Departmental Committee which was appointed in 1905 by the Board of Trade, and which presented its Report in June 1906.

The principle underlying the main provisions of the Bill is the affording of information to all who may seek for it concerning companies registered under the Companies Acts.

The main provisions of the Bill are as follow:—

(1) To enlarge the requirements of the Companies Act, 1900, under which any prospectus issued must disclose certain material facts which would be calculated to influence the minds of intending investors. In practice it has been found that promoters and others, in order to avoid this disclosure, have launched companies and sold shares on the Stock Exchange without the issue of a prospectus. It is proposed to make it necessary for every public company, which does not on its formation issue a prospectus to file with the Registrar a statement containing all the facts which, under the Companies Act, 1900, are required to be disclosed in a prospectus (see clause 1 and First Schedule):

(2) To extend the provisions of the Companies Act, 1900, by making it necessary to register all mortgages and charges with the Registrar of Joint Stock Companies, including those relating to landed property and book debts (see clause 11):

(3) To remove doubts as to the validity of perpetual debentures and debenture stock; to enable a company to give an option of purchase to a mortgagee of its debentures, and to keep alive and re-issue debentures which have been redeemed (see clauses 15, 16, and 17):

(4) To require every company to file annually with the Registrar a statement of its affairs in the form of a Balance Sheet and containing a summary of its capital, liabilities, and assets, but the Balance Sheet need not contain a statement of profit and loss (see clause 22). Though this provision is new to English law, a similar provision has, since the year 1888, been part of the Indian law relating to companies, and, since 1896, has formed part of the law of the Colony of Victoria:

(5) To assimilate, subject to certain restrictions, the powers of companies registered under the Companies Acts to those usually granted to statutory companies in respect of the payment of interest out of capital during construction and in respect of the issue of capital at a discount (see clauses 10 and 7):

(6) To give power to the Court to grant relief to directors in cases where a breach of duty has been caused by honest oversight, inadvertence, or error of judgment (see clause 33):

(7) To require every foreign company which, after the commencement of the Act, establishes a place of business within the United Kingdom, to file with the Registrar a copy of its charter or statutes and a list of the directors of the company, together with the names and addresses of some one or more persons resident in the United Kingdom authorised to accept on behalf of the company service of any notices required to be served on the company, and to file annually with the Registrar such a statement of its affairs in the form of a Balance Sheet as is required of companies established in the United Kingdom. Every foreign company which uses the word "limited" as part of its title is to be required to add to its title the name of the country in which the company is established (see clause 36).

The other clauses of the Bill contain various detailed amendments of the existing Acts.

A Bill intituled an Act to amend the Companies Acts, 1862 to 1900.

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PROSPECTUS AND ALLOTMENT.

Obligations of Companies where no Prospectus is issued.

1.—(1) A company which does not issue a prospectus on or with reference to its formation shall not allot any of its shares or debentures unless before the first allotment of either shares or debentures there has been filed with the Registrar a statement in lieu of prospectus, verified by a statutory declaration by the secretary and by one of the directors or a solicitor of the High Court engaged in the formation of the company, in the form and containing the particulars set out in the First Schedule to this Act.

(2) Sections 2, 6, and 11 of the Companies Act, 1900, as amended by this Act, shall apply to companies which do not issue a prospectus inviting public subscription of their shares, subject to the modifications set out in the Second Schedule to this Act.

(3) In the case of the first allotment of share capital payable in cash of a company which does not issue any invitation to the public to subscribe for its shares, no allotment shall be made unless the minimum subscription (that is to say):—

(*a*) the amount (if any) fixed by the memorandum or articles of association and named in the statement in lieu of prospectus as the minimum subscription upon which the directors may proceed to allotment; or

(*b*) if no amount is so fixed and named, then the whole amount of the share capital other than that issued or agreed to be issued as fully or partly paid up otherwise than in cash,

has been subscribed and an amount not less than 5 per cent. of the nominal amount of each share payable in cash has been paid to and received by the company.

(4) Section 5 of the Companies Act, 1900, shall apply as if the foregoing provisions of this section were included amongst the foregoing provisions of that Act mentioned in the said Section 5.

(5) This section shall not apply to private companies as defined by this Act, or to any company which has allotted any shares or debentures before the commencement of this Act.

Amendment of 63 & 64 *Vict. c.* 48, *s.* 10.

2.—(1) The following sub-section shall be substituted for Sub-section 1 of Section 10 of the Companies Act, 1900:—

"(1) Every prospectus issued by or on behalf of a company or by or on behalf of any person who is or has been engaged or interested in the formation of the company, must state—

"(*a*) the contents of the memorandum of association, with the names, descriptions, and addresses of the signatories, and the number of shares subscribed for by them respectively; and the number of founders or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the company; and

"(*b*) the number of shares, if any, fixed by the articles of association as the qualification of a director, and any provision in the articles of association as to the remuneration of the directors; and

"(*c*) the names, descriptions, and addresses of the directors or proposed directors; and

"(*d*) the minimum subscription on which the directors may proceed to allotment, and the amount payable on application and allotment on each share; and in the case of a second or subsequent offer of shares the amount offered for subscription on each previous allotment made within the two preceding years, and the amount actually allotted; and the amount, if any, paid on such shares; and

"(*e*) the number and amount of shares and debentures which within the two preceding years have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, and in the latter case the extent to which they are so paid up, and in either case the consideration for which such shares

or debentures have been issued or are proposed or intended to be issued; and

"(*f*) the names and addresses of the vendors of any property purchased or acquired by the company, or proposed so to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus, or the purchase or acquisition of which has not been completed at the date of publication of the prospectus, and the amount payable in cash, shares, or debentures, to the vendor, and where there is more than one separate vendor, or the company is a sub-purchaser, the amount so payable to each vendor; provided that where the vendors or any of them are a firm, the members of the firm shall not be treated as separate vendors; and

"(*g*) the amount (if any) paid or payable as purchase-money in cash, shares, or debentures, of any such property as aforesaid, specifying the amount (if any) payable for goodwill; and

"(*h*) the amount (if any) paid within the two preceding years or payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in, or debentures of, the company, or the rate of any such commission; provided that it shall not be necessary to state the commission payable to sub-underwriters; and

"(*i*) the amount or estimated amount of preliminary expenses; and

"(*j*) the amount paid within the two preceding years or intended to be paid to any promoter and the consideration for any such payment; and

"(*k*) the dates of and parties to every material contract, and a reasonable time and place at which any material contract or a copy thereof may be inspected: Provided that this requirement shall not apply to a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company, or to any contract entered into more than two years before the date of publication of the prospectus; and

"(*l*) the names and addresses of the auditors (if any) of the company; and

"(*m*) full particulars of the nature and extent of the interest (if any) of every director in the promotion of, or in the property proposed to be acquired by, the company, or, where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company."

(2) The said section of the Companies Act, 1900, shall not apply to a circular or notice inviting existing members or debenture-holders of the company to subscribe for shares or debentures of the company, whether with or without the right to renounce in favour of other persons, and accordingly in Sub-section 4 of that section for the words "for further shares or debentures" there shall be substituted the words "for shares or debentures of the company, "whether with or without the right to renounce in favour "of other persons."

Penalty for Failure to File Prospectus.

3.—If a prospectus is issued without a copy thereof being filed for registration as required by Section 9 of the Companies Act, 1900, the company and every person who is knowingly a party to the issue of the prospectus shall on conviction be liable to a fine not exceeding *five pounds* for every day from the date of the issue of the prospectus until a copy thereof is so filed.

Simultaneous Offer and Allotment of Shares and Debentures.

4.—The following provision shall be substituted for Sub-section 4 of Section 6 of the Companies Act, 1900:—

"(4) Nothing in this section shall prevent the simul-"taneous offer for subscription or allotment of any shares "and debentures, or the receipt of any money payable on "application for debentures."

Limitation of Time for issue of Certificates.

5.—(1) Every company shall within *two months* after the allotment of any of its shares, debentures, or debenture stock, and within *two months* after the registration of the transfer of any such shares, debentures, or debenture stock, complete and have ready for delivery the certificates of all shares, the debentures, and the certificates of all debenture stock allotted or transferred, unless, in the case of an allotment, the conditions of issue of the shares, debentures, or debenture stock otherwise provide.

(2) If default is made in complying with the requirements of this section, the company, and every director, manager, secretary, and other officer of the company who is knowingly a party to the default, shall on conviction be liable to a fine not exceeding *five pounds* for every day during which the default continues.

Filing of Contracts of allotment of Shares not payable in Cash.

6.—Where a contract which under paragraph (*b*) of Sub-section (1) of Section 7 of the Companies Act, 1900, is required to be filed with the Registrar is not reduced to writing, it shall be a sufficient compliance with that paragraph if the company within the time limited in the said section file with the Registrar the prescribed particulars of the contract stamped with the same stamp duty as we

have been payable if the contract had been reduced to writing.

ISSUE OF SHARES AT A DISCOUNT AND PAYMENT OF COMMISSIONS.

Issue of New Capital at a Discount.

7.—Where a company which has continuously carried on business for more than two years after the company became entitled to commence business offers shares for subscription, the shares may be offered and issued at a discount if the issue of shares at a discount is authorised by the articles of association and the amount or rate of the discount is disclosed in the prospectus, or, where no prospectus offering the shares for subscription is issued, in a statement in the prescribed form verified in like manner as a statement in lieu of prospectus and filed with the Registrar, and where a circular or notice, not being a prospectus, inviting subscriptions for the shares is issued, also disclosed in that circular or notice.

Statement as to Commissions and Discounts.

8.—The total amount of the sums paid by way of commission in respect of any shares or debentures or allowed by way of discount shall be stated in the summary made under Section 26 of the Companies Act, 1862, next after the payment of the commission or the allowance of the discount, and the total amount thereof, or so much thereof as has not been written off, shall be stated in every Balance Sheet until the whole amount thereof has been written off.

Amendment of 63 & 64 *Vict. c.* 48, *s.* 8.

9.—(1) For removing doubts it is hereby declared that a vendor to, promoter of, or other person who receives payment in money or shares from, a company has, and always has had, power to apply any part of the money or shares so received in payment of any commission, the payment of which, if made directly by the company, would have been legal under Section 8 of the Companies Act, 1900.

(2) The said section shall apply in cases where the shares are not offered to the public for subscription; provided that the payment of the commission is authorised by the articles of association of the company, and that the amount or rate paid or agreed to be paid as commission is disclosed in the statement in lieu of prospectus or in a statement in the prescribed form verified in like manner as a statement in lieu of prospectus and filed with the Registrar, and where a circular or notice, not being a prospectus, inviting subscriptions for the shares is issued, also disclosed in that circular or notice.

PAYMENT OF INTEREST OUT OF CAPITAL.

Power of Company to pay Interest out of Capital in certain cases.

10.—Where any shares of a company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions in this section mentioned, and may charge the same to capital as part of the cost of construction of the work:

Provided that—

(1) No such payment shall be made unless the same is authorised by the company's articles of association or by special resolution of the company:

(2) No such payment, whether authorised by the articles of association or by special resolution, shall be made without the previous sanction of the Board of Trade:

(3) The payment shall be made only for such period as may be determined by the Board of Trade; and such period shall in no case extend beyond the close of the half-year next after the half-year during which the works have been actually completed:

(4) The rate of interest shall in no case exceed 4 per cent. per annum or such other rate as may for the time being be prescribed by Order in Council:

(5) The payment of such interest shall not operate as a reduction of the amount paid up on the shares in respect of which it is paid:

(6) The accounts of the company shall show the capital on which, and the rate at which, interest has been paid out of capital during the period to which the accounts relate.

MORTGAGES AND CHARGES.

Amendment of 63 & 64 *Vict. c.* 48, *s.* 14, *as to Registration of Mortgages and Charges.*

11.—(1) Every mortgage or charge created by a company after the commencement of this Act and being either—

(*a*) a mortgage or charge for the purpose of securing any issue of debentures; or

(*b*) a mortgage or charge on uncalled capital of the company; or

(*c*) a mortgage or charge created or evidenced by an instrument which, if executed by an individual, would require registration as a bill of sale; or

(*d*) a mortgage or charge on any land, wherever situate, or any interest therein; or

(*e*) a mortgage or charge on any book debts of the company; or

(*f*) a floating charge on the undertaking or property of the company,

shall, so far as any security on the company's property or undertaking is thereby conferred, be void against the liquidator and any creditor of the company, unless the prescribed particulars of the mortgage or charge, together with the instrument (if any) by which the mortgage or charge is created or evidenced, are delivered to or received

by the Registrar for registration in manner required by this Act within twenty-one days after the date of its creation, but without prejudice to any contract or obligation for repayment of the money thereby secured:

Provided that—

(i.) in the case of a mortgage or charge created out of the United Kingdom, it shall not be necessary to send the instrument by which the mortgage or charge is created; and

(ii.) where the mortgage or charge is created in the United Kingdom but comprises property outside the United Kingdom, the deed purporting to charge specifically such property may be sent for registration notwithstanding that further proceedings may be necessary to make such mortgage or charge valid or effectual according to the law of the country in which such property is situate; and

(iii.) where a negotiable instrument has been given to secure the payment of any book debts of a company, the deposit of the instrument for the purpose of securing an advance to the company shall not for the purposes of this section be treated as a mortgage or charge on those book debts;

(iv.) the holding of debentures entitling the holder to a charge on land shall not be deemed to be an interest in land.

(2) The Registrar shall keep, with respect to each company, a register in the prescribed form of all such mortgages and charges created by the company after the commencement of this Act, and requiring registration under this section, and shall, on payment of the prescribed fee, enter in the register, with respect to every such mortgage or charge, the date of creation, the amount secured by it, short particulars of the property mortgaged or charged, and the names of the mortgagees or persons entitled to the charge.

(3) Where a series of debentures containing, or giving by reference to a deed containing, any charge to the benefit of which the debenture-holders of that series are entitled *pari passu* is created by a company, it shall be sufficient if there are delivered to or received by the Registrar within twenty-one days after the execution of the deed containing the charge or, if there is no such deed, after the first issue of any debentures of the series the following particulars:—

(*a*) the total amount secured by the whole series; and

(*b*) the dates of the resolutions authorising the issue of the series and the date of the covering deed, if any, by which the security is created or defined; and

(*c*) a general description of the property charged; and

(*d*) the names of the trustees, if any, for the debenture-holders:

together with the deed containing the charge, or, if there is no such deed, one of the debentures of the series, and the Registrar shall, on payment of the prescribed fee, enter such particulars in the register:

Provided that where more than one issue is made of debentures in the series, there shall be sent to the Registrar for entry on the register particulars of the date and amount of each issue, but an omission to do this shall not affect the validity of the debentures issued.

(4) Where any commission, allowance, or discount has been paid or made, either directly or indirectly, to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any debentures of a company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any such debentures, the particulars required for registration under this section shall include particulars as to the amount or rate per cent. of the commission, discount, or allowance so paid or made, but an omission to do this shall not affect the validity of the debentures issued:

Provided that the deposit of any debentures as security for any debt of the company shall not for the purposes of this provision be treated as the issue of the debentures at a discount.

(5) The Registrar shall give a certificate under his hand of the registration of any mortgage or charge registered in pursuance of this section, stating the amount thereby secured (which certificate shall be conclusive evidence that the requirements of this section as to registration have been complied with), and the company shall cause a copy of the certificate so given to be endorsed on every debenture or certificate of debenture stock which is issued by the company, and the payment of which is secured by the mortgage or charge so registered:

Provided that nothing in this sub-section shall be construed as requiring a company to cause a certificate of registration of any mortgage or charge given under this section to be endorsed on any debenture or certificate of debenture stock which has been issued by the company before the mortgage or charge was created.

(6) It shall be the duty of the company to send to the Registrar for registration the particulars of every mortgage or charge created by the company and of the issues of debentures of a series and requiring registration under this section, but registration of any such mortgage or charge may be effected on the application of any person interested therein, and if the company fail to comply with the requirements of this sub-section, then, unless the registration has been effected on the application of some other person, the company, and every director, manager, secretary, or other person who is knowingly a party to the default, shall on conviction be liable to a fine not exceeding *fifty pounds* for every day during which the default continues.

(7) The register kept, in pursuance of this section, of the mortgages and charges of each company shall be open to inspection by any person on payment of the prescribed fee, not exceeding one shilling for each inspection.

(8) Every company shall cause a copy of every instrument creating any mortgage or charge requiring registration under this section, to be kept at the registered office of the company, and to be open to inspection by the members and creditors of the company on payment of such fee not exceeding one shilling for each inspection, as may be fixed by the regulations of the company: Provided that in the case of a series of uniform debentures a copy of one such debenture shall be sufficient.

(9) Section 14 of the Companies Act, 1900, is hereby repealed.

Registration of Enforcement of Security.

12.—(1) If any person obtains an order for the appointment of a receiver or manager of the property of a company, or appoints such a receiver or manager under any powers contained in any instrument, he shall, within seven days from the date of the order or of the appointment under the powers contained in the instrument, give notice of the fact to the Registrar, and the Registrar shall, on payment of the prescribed fee, enter the fact on the register of mortgages and charges.

(2) If any person makes default in complying with the requirements of this section he shall on conviction be liable to a fine not exceeding *five pounds* for every day during which the default continues.

Registration of secured Debts created before 1st of January 1901.

13.—(1) It shall be the duty of a company within three months after the commencement of this Act to send to the Registrar for registration a statement of the total amount outstanding at the commencement of this Act of the debts of the company secured by mortgages or charges created before the commencement of this Act, which under the provisions of this Act would have required registration had they been created after the commencement of this Act, except those already required to be registered under Section 14 of the Companies Act, 1900, and the Registrar shall, on payment of the prescribed fee, enter those particulars on the register of mortgages and charges:

Provided that the neglect of the company to comply with the provisions of this sub-section shall not prejudice the rights under any such mortgage or charge of any person in whose favour the mortgage or charge was made.

(2) If the company fail to comply with the requirements of this section, the company, and every director, manager, secretary, or other person who is knowingly a party to the default, shall on conviction be liable to a fine not exceeding *fifty pounds* for every day during which the default continues.

Effect of Floating Charge.

14.—Where a company is being wound up, a floating charge on the undertaking or property of the company created within three months of the commencement of the winding-up shall, unless it is proved that the company immediately after the creation of the charge was solvent, be invalid, except to the amount of any cash paid to the company at or subsequently to, and in consideration for, the charge, together with interest on that amount at the rate of 5 per cent. per annum.

Perpetual Debentures.

15.—For removing doubts it is hereby declared that a mortgage or charge created, whether before or after the passing of this Act, by any debentures or by any deed for securing such debentures shall not be invalid by reason only that the debentures are irredeemable or redeemable only on that happening of a contingency, however remote, or on the expiration of a period, however long, any rule of equity to the contrary notwithstanding.

Power to give Mortgagee option of Purchase.

16.—Where a company mortgages any debentures, whether issued by the company or by any other company, it shall be lawful for the company and the mortgagee by the same or any subsequent instrument to enter into an agreement for conferring on the mortgagee an option to purchase the debentures or any of them, any rule of equity to the contrary notwithstanding.

Power to Reissue Redeemed Debentures in certain cases.

17.—(1) Where either before or after the passing of this Act a company has redeemed any debentures previously issued, the company, unless the articles of association of the company or the conditions of issue otherwise provide, or unless the debentures have been redeemed in pursuance of any obligation on the company so to do, shall have power, and shall be deemed always to have had power, to keep the debentures alive for the purposes of re-issue, and where a company has purported to exercise such a power the company shall have power, and shall be deemed always to have had power, to re-issue the debentures either by re-issuing the same debentures or by issuing other debentures in their place, and upon such a re-issue the person entitled to the debentures shall have, and shall be deemed always to have had, the same rights and priorities as if the debentures had not previously been issued:

Provided that nothing in this section shall prejudice the operation of any judgment or order of a Court of competent jurisdiction pronounced or made before the seventh day of March one thousand nine hundred and seven as between the parties to the proceedings in which the judgment was pronounced or the order made, and any appeal from any such judgment or order shall be decided as if this Act had not been passed.

(2) Where with the object of keeping debentures alive for the purpose of re-issue they have been transferred to a nominee of the company, a transfer from that nominee shall be deemed to be a re-issue for the purposes of this section.

(3) Where a company has deposited any of its debentures to secure a current account, the debentures shall not be deemed to have been redeemed by reason only of the current account having, whilst the debentures were so deposited, been in credit.

Specific performance of Contract to subscribe for Debentures.

18.—A contract with a company to take up and pay for any debentures of the company may be enforced by an order for specific performance in like manner as if it had been a contract to take up and pay for shares of the company.

Inspection of Register of Mortgages.

19.—The register of mortgages required by Section 43 of the Companies Act, 1862, shall be open to inspection by any person other than a creditor or member of the company on payment of such fee, not exceeding one shilling for each inspection, as may be fixed by regulations of the company, and that section shall apply accordingly.

Right of Debenture-Holders to inspect the Register of Debenture-Holders and to have Copies of Trust Deed.

20.—(1) Every register of holders of debentures of a company shall, except when closed in accordance with the articles of the company during such period or periods (not exceeding in the whole thirty days in any year) as may be specified in the articles, be open to the inspection of the registered holder of any such debentures, but subject to such reasonable restrictions as the company may in general meeting impose, so that at least two hours in each day are appointed for inspection, and every such holder may require a copy of such register or any part thereof on payment of sixpence for every one hundred words required to be copied.

(2) A copy of any trust deed for securing any issue of debentures shall be forwarded to every holder of any such debentures at his request on payment of the sum of one shilling or such less sum as may be prescribed by the company for such copy.

(3) If inspection is refused, or a copy is refused or not forwarded, the company shall on conviction be liable to a fine not exceeding *two pounds*, and to a further fine not exceeding *two pounds* for every day during which the refusal continues, and every director, manager, secretary, or other officer of the company who knowingly authorises or permits such refusal shall incur the like liability.

AUDITORS; BALANCE SHEET; AND REPORTS.

Auditors.

21.—The following section shall be substituted for Section 23 of the Companies Act, 1900:—

"(1) Every auditor of the company shall have a right of "access at all times to the books and accounts and "vouchers of the company, and shall be entitled to require "from the directors and officers of the company such "information and explanation as may be necessary for the "performance of the duties of the auditors.

"(2) The auditors shall make a report to the shareholders "on the accounts examined by them, and on every Balance "Sheet laid before the company in general meeting during "their tenure of office, and the report shall state—

"(*a*) whether or not they have obtained all the information and explanations they have required; and

"(*b*) whether, in their opinion, the Balance Sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

"(3) The report shall be attached to the Balance Sheet, or "there shall be inserted at the foot of the Balance Sheet a "reference to the report, and the report shall be read before "the company in general meeting, and shall be open to "inspection by any shareholder.

"(4) A person, other than a retiring auditor, shall not be "capable of being appointed auditor at an annual general "meeting unless notice of an intention to nominate that "person to the office of auditor has been given by the "nominator to the company not less than fourteen days, "and by the company to every shareholder not less than "seven days, before the annual general meeting.

"(5) If any copy of a Balance Sheet is issued, circulated, "or published without either having a copy of the auditor's "report attached thereto or containing such reference to "that report as is required by this section, the company, "and every director, manager, secretary, or other officer of "the company who is knowingly a party to the default, "shall on conviction be liable to a fine not exceeding "*fifty pounds*."

Filing of Annual Statement of Affairs by Limited Companies.

22.—Every company required to forward to the Registrar a summary under Section 26 of the Companies Act, 1862, shall annually forward to the Registrar with that summary, a statement of its affairs, made up to such date as may be specified in the statement, in the form of a Balance Sheet, audited by the company's auditors, and containing a summary of its capital, its liabilities, and its assets, giving such particulars as will disclose the nature of such liabilities and assets, and how the values of the fixed assets have been arrived at, but the Balance Sheet need not include a statement of profit and loss.

Report by Directors under 63 & 64 Vict. c. 48, s. 12.

23.—The report which the directors are required by Section 12 of the Companies Act, 1900, to forward to every member of the company at least seven days before the date on which the statutory meeting of the company is held, shall contain an abstract of the receipts of the company on account of its capital, whether from shares or debentures, and of the payments made thereout, up to a date within seven days of the date of the report, exhibiting under distinctive headings the receipts of the company from shares and debentures and other sources, the payments made thereout, and particulars concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the company.

Rights of Preference Shareholders, &c., as to Receipt and Inspection of Reports, &c.

24.—Holders of preference shares and debentures of a company shall have the same right to receive and inspect the Balance Sheets of the company and the reports of the auditors and other reports as are possessed by the holders of ordinary shares in the company, unless a provision to the contrary is contained in the articles of association and is disclosed in the prospectus offering the preference shares or debentures for subscription or in the statement in lieu of prospectus, or unless an express agreement to the contrary is made.

GENERAL MEETING, &c.

Annual General Meeting.

25.—The following section shall be substituted for Section 49 of the Companies Act, 1862:—

"A general meeting of every company shall be held once "at least in every calendar year, and not more than fifteen "months after the holding of the last preceding general "meeting, and if not so held, the company, and every "director, manager, secretary, and other officer of the com-"pany who is knowingly a party to the default, shall on "conviction be liable to a fine not exceeding *fifty pounds*."

Power of Court to Call General Meeting.

26.—The Court may, if it thinks fit, on the application of any member of a company, call or direct the calling of a general meeting of the company.

Poll.

27.—A poll may be demanded at a meeting of a company at which a special resolution is passed or confirmed under Section 51 of the Companies Act, 1862, if demanded by a person for the time being entitled according to the articles of the company to vote, unless the articles of the company require a demand by such number of such persons, not in any case exceeding five, as may be specified in the articles.

WINDING-UP.

Amendment of Law as to Voluntary Winding-up, 25 & 26 Vict. c. 89.

28.—(1) Section 53 of the Companies Act, 1862, shall apply in the case of an extraordinary resolution to wind up a company voluntarily under Section 129 of that Act, in like manner as the section applies in the case of a special resolution, with the substitution of a reference to the date of the passing of the extraordinary resolution for the reference to the date of the confirmation of the special resolution.

(2) The liquidator of a company being wound up voluntarily shall, within *twenty-one* days after his appointment, file with the Registrar a notice of his appointment in the prescribed form, and if any liquidator contravenes this provision he shall on conviction be liable to a fine not exceeding *five pounds* for every day during which the contravention continues.

Reckoning of Contingent Liabilities on Petition to Wind up.

29.—In determining whether a company is unable to pay its debts within the meaning of Section 80 of the Companies Act, 1862, the Court shall take into account the contingent and prospective liabilities of the company, and any contingent or prospective creditor shall be a creditor entitled to present a petition for winding up the company under Section 82 of that Act: Provided that the Court shall not give a hearing to a petition for winding-up the company by such a creditor until such security for costs has been given as the Court thinks reasonable, and until a *primâ facie* case for winding up has been established to the satisfaction of the Court.

Winding-up Order where Company has no Assets.

30.—An order to wind up a company shall not be refused on the ground only that the assets of the company have been mortgaged to an amount equal to or in excess of those assets, or that the company has no assets.

Amendment of 51 & 52 Vict. c. 62, and 52 & 53 Vict. c. 60.

31.—In the Preferential Payments in Bankruptcy Act, 1888, and the Preferential Payments in Bankruptcy (Ireland) Act, 1889, the date on which the order to wind up was made shall, in the case of a company ordered to be wound up compulsorily, be substituted for the date of the commencement of the winding-up of the company:

Provided that this provision shall not apply where the order is made with respect to a company which before the date of the order had commenced to be wound up voluntarily.

Dissolution of Companies.

32.—(1) Where a company has been wound up voluntarily and the return made by the liquidators to the Registrar under Section 143 of the Companies Act, 1862, has been registered in accordance with that section, the Court may, on the application of the liquidators or of any other person who appears to the Court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as to the Court seems fit.

(2) Where a company has been dissolved, the Court may at any time within *nine months* of the date of the dissolution, on an application being made for the purpose by the liquidators of the company or by any other person who appears to the Court to be interested, make an order, upon such terms as the Court thinks fit, declaring the dissolution to have been void, and thereupon such proceedings may be taken as might have been taken if the company had not been dissolved.

DIRECTORS.

Power of Court to grant Relief in certain cases.

33.—(1) If it appears to the Court that a director or promoter of a company is or may be personally liable for the breach of any duty imposed upon him by the Companies Acts, whether the transaction alleged to be a breach of duty occurred before or after the passing of this Act, but that the breach of duty has been caused by honest oversight, inadvertence, or error of judgment on his part, and that he ought fairly to be excused for the breach of duty, the Court may, after causing such notices to be published or served as the Court may direct, relieve the director or promoter either wholly, or partly, from personal liability on such terms as the Court may think proper.

(2) If in any proceeding against a director of a company for negligence or breach of trust it appears to the Court that the director is or may be liable in respect of the negligence or breach of trust, but has acted honestly and reasonably, and ought fairly to be excused for the negligence or breach of trust, the Court may relieve him, either wholly or partly, from his liability on such terms as the Court may think proper.

Contributions under the Directors' Liability Act, 1890.

34.—A person liable to make any payment under the provisions of the Directors' Liability Act, 1890, shall not be entitled to recover contribution from another person under Section 5 of that Act if the person liable to make the payment was, and such other person was not, guilty of fraudulent misrepresentation.

Qualification of Director.

35.—The following provision shall be substituted for Sub-section (3) of Section 3 of the Companies Act, 1900:—

"(3) If after the expiration of the said period or shorter "time any unqualified person continues to be director of a "company, he shall be liable to a fine not exceeding *five* "*pounds* for every day during which he continues to be "unqualified and a director."

REQUIREMENTS AS TO COMPANIES ESTABLISHED OUTSIDE THE UNITED KINGDOM.

36.—(1) Every company established outside the United Kingdom which at the commencement of this Act has a place of business in the United Kingdom, and every such company which after the commencement of this Act establishes such a place of business within the United Kingdom, shall within *three months* from the commencement of this Act or within *one month* from the establishment of such place of business, as the case may be, file with the Registrar—

(a) a certified copy of the charter, statutes, or memorandum and articles of association, of the company, or other instrument constituting, or defining the constitution of the company, and if the instrument is not written in the English language, a certified translation thereof;

(b) a list of the directors of the company;

(c) the names and addresses of some one or more persons resident in the United Kingdom authorised to accept on behalf of the company service of process and any notices required to be served on the company;

and, in the event of any alteration being made in any such instrument or in the directors or in the names or addresses of any such persons as aforesaid, the company shall file with the Registrar a notice of the alteration within such time as may be prescribed.

(2) Any process or notice required to be served on the company shall be sufficiently served if addressed to any person whose name has been so filed as aforesaid and left at or sent by post to the address which has been so filed.

(3) Every company to which this section applies shall in every year file with the Registrar such a statement of its affairs as it would, if it were a company established in the United Kingdom and having a capital divided into shares, be required under this Act to forward annually to the Registrar.

(4) Every company to which this section applies, and which uses the word "limited" as part of its name shall—

(a) In every prospectus inviting subscriptions for its shares or debentures in the United Kingdom state the country in which the company is established; and

(b) conspicuously exhibit on every place where it carries on business in the United Kingdom the name of the company and the country in which the company is established.

(5) If any company to which this section applies fails to comply with any of the requirements of this section the company, and every officer or agent of the company, shall on conviction be liable to a fine not exceeding *fifty pounds*, or, in the case of a continuing offence, *five pounds* for every day during which the failure continues.

(6) For the purposes of this section the expression

"certified" means certified to be a true copy or a correct translation by the prescribed officer in a foreign country or British possession, as the case may be.

MISCELLANEOUS.

37.—(1) For the purposes of this Act the expression "private company" means a company which consists of not more than thirty members, and which by its articles restricts the right to transfer its shares, and prohibits—

(*a*) the increase of the number of its members to more than thirty; and

(*b*) any invitation to the public to subscribe for any shares or debentures of the company.

(2) A private company may, subject to anything contained in the memorandum or articles of association of the company, by passing a special resolution and by filing with the Registrar such a statement in lieu of prospectus as the company, if a public company, would under the provisions of this Act have had to file before allotting any of its shares or debentures, turn itself into a public company.

(3) Where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this section, be treated as a single member.

Application of 33 & 34 *Vict. c.* 104 *to Companies not being wound up.*

38.—The Joint Stock Companies Arrangement Act, 1870, shall apply to a company which is not in the course of being wound up, in like manner as it applies to a company which is in the course of being wound up, as if in that Act references to the Court having jurisdiction to wind up the company were substituted for references to the Court, and references to the liquidator were omitted therefrom, and references to the company were substituted for references to contributories of the company.

Reorganisation of Capital.

39.—A company may by special resolution confirmed by an order of the Court modify the conditions contained in its memorandum of association so as to reorganise its capital, whether by the consolidation of shares of different classes, or by the division of its shares into shares of different classes.

Exemption of Life Assurance Companies from 25 & 26 *Vict. c.* 89, *s.* 44, 33 & 34 *Vict. c.* 61

40.—Section 44 of the Companies Act, 1862, shall not apply to any life assurance company which complies with the provisions of Sections 5 and 6 of the Life Assurance Companies Act, 1870, as to the annual statements to be made by such companies.

Filing of Accounts of Receivers and Managers.

41.—Every receiver or manager of the property of a company who has been appointed under any order of the Court or under the powers contained in any trust deed, and who has taken possession, shall, on ceasing to act as such, and also once in every half-year while he remains in possession, file with the Registrar an abstract in the prescribed form of his receipts and payments during the period to which the abstract relates, and every such receiver or manager who makes default in complying with the provisions of this section shall be liable to a fine not exceeding *fifty pounds.*

Revocation of Licences under 30 & 31 *Vict. c.* 131, *s.* 23.

42.—A licence granted by the Board of Trade under Section 23 of the Companies Act, 1867 (which relates to associations formed for purposes not of gain), may at any time be revoked by the Board of Trade, and upon revocation the Registrar shall enter the word "limited" at the end of the name of the company upon the register, and the company shall cease to enjoy the exemptions and privileges granted by that section.

Signature of Documents.

43.—Any writing or licence which under the Companies Acts, 1862 to 1900, is required to be under the hand of one of the principal secretaries or assistant secretaries of the Board of Trade may be under the hand of any person authorised in that behalf by the President of the Board of Trade.

Prosecution of Offences under Companies Acts.

44.—All offences under the Companies Acts made punishable by any penalty may be prosecuted under the Summary Jurisdiction Acts.

Repeal.

45.—The enactments mentioned in the Third Schedule to this Act are hereby repealed to the extent specified in the third column of that schedule.

Short Title, Construction, and Commencement.

46.—(1) This Act may be cited as the Companies Act, 1907, and the Companies Acts, 1862 to 1900, and this Act, may be cited together as the Companies Acts, 1862 to 1907, and are in this Act referred to as the Companies Acts, and this Act shall have effect as part of the Companies Act, 1900.

(2) This Act shall come into operation on the *first day of July one thousand nine hundred and eight.*

SECOND SCHEDULE.

Modifications of Sections 2, 6, *and* 11.

References to a verified statement in lieu of prospectus and the filing thereof shall be substituted for references to a prospectus and the publication of a prospectus.

In Section 6 the reference to shares offered for public subscription shall be construed as a reference to shares payable in cash.

There shall be added to Sub-section 1 of Section 6 the following paragraph:—

"(*d*) There has been filed with the Registrar a statement in lieu of prospectus."

The Registrar shall not give such a certificate as is mentioned in Sub-section 2 of Section 6 unless a statement in lieu of prospectus has been filed with him.

FIRST SCHEDULE.

THE COMPANIES ACTS, 1862 TO 19 .

STATEMENT IN LIEU OF PROSPECTUS

filed by LIMITED pursuant to section of the Companies Act, 1904.

Presented for filing by

THE COMPANIES ACTS, 1862 TO 19 .

STATEMENT IN LIEU OF PROSPECTUS. LIMITED.

The nominal capital of the company	£
Divided into	Shares of £ each. " £ " " £ "
Names, descriptions, and addresses of directors or proposed directors.	
Minimum subscription (if any) fixed by the memorandum or articles of association on which the company may proceed to allotment.	
Number and amount of shares and debentures agreed to be issued as fully or partly paid-up otherwise than in cash. The consideration for the intended issue of such shares and debentures.	1. shares of £ fully paid. 2. shares upon which £ per share credited as paid. 3. debentures £ 4. Consideration.
Names and addresses of (*a*) vendors of property purchased or acquired, or proposed to be (*b*) purchased or acquired by the company. Amount (in cash, shares, or debentures) payable to each separate vendor.	
Amount (if any) paid or payable (in cash or shares or debentures) for any such property, specifying amount (if any) paid or payable for goodwill.	Total purchase price .. .. .. £ Cash .. .. £ Shares .. .. £ Debentures .. .. £ Goodwill .. .. £
Amount (if any) paid or payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures in the company, or Rate of such commission	Amount paid. " payable. Rate per cent.
Estimated amount of preliminary expenses	£
Amount paid or intended to be paid to any promoter. Consideration for such payment.	Name of promoter. Amount £ Consideration:—
Dates of, and parties to, every material contract (other than contracts entered into in the ordinary course of the business intended to be carried on by the company or entered into more than two years before the filing of this statement).	
Time and place at which such contracts or copies thereof may be inspected.	
Names and addresses of the auditors of the company (if any).	
Full particulars of the nature and extent of the interest of every director in the promotion of or in the property proposed to be acquired by the company, or where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares, or otherwise, by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company.	
Whether the articles contain any provisions precluding holders of preference shares or debentures receiving and inspecting Balance Sheets or reports of the auditors or other reports.	Nature of the provisions.

(*a*) For definition of vendor, *see* Section 10 (2) of the Companies Act, 1900, as amended by this Act.

(*b*) *See* Section 10 (3) of the Companies Act, 1900.

We, *A.B.*, &c. secretary of the company, and *C B.*, (a director [or solicitor]) of the company hereby solemnly and sincerely declare that the statements above contained are true to the best of our knowledge, information and belief, and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1835.

THIRD SCHEDULE.

Enactments Repealed.

Session and Chapter	Short Title	Extent of Repeal
& 26 Vict. c. 89.	The Companies Act, 1862	Section forty-nine. In section fifty-one, the words "by at least five members." Section sixty-five.
63 & 64 Vict. c. 48.	The Companies Act, 1900	In subsection three of section two, the words "or to a company which does not issue any invitation to the public to subscribe for its shares." In section three, subsection (3). In section six, subsection (4) and subsection (7) except so far as relates to companies registered before the commencement of this Act. In section ten, subsection (1) and proviso (b) to subsection (4). In subsection (2) of section twelve, paragraph (c). Section fourteen. Section twenty-three.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday Mar. 22nd was 164, viz.:—New Bankruptcy Proceedings published in the *London Gazette* 91; Deeds of Arrangement registered, 73. The respective numbers in the corresponding week of last year were: Bankruptcies, 88; Deeds of Arrangement, 91—total, 179; being a decrease of 15. The total number of commercial failures recorded during the 12 weeks of the present year is 1,865; the total number recorded in the corresponding 12 weeks of last year was 2,060, showing a decrease of 195.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday Mar. 22nd, was 187. The number in the corresponding week of last year was 147, showing an increase of 40. The total number filed during the 12 weeks of the present year is 1,855; the total number filed in the corresponding 12 weeks o last year was 1,889, showing a decrease of 34.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday Mar. 22nd amounted to £1,552,405, by way of addition to £332,010, previously issued by the same companies. The amount registered in the corresponding week of last year was £4,826,068, showing a decrease of £3,273,663. The total amount registered during the 12 weeks of the present year is £21,069,345 (in addition to the issues in previous years by the same companies), as mpared with £20,112,086 for the corresponding 12 weeks 906, showing an increase of £957,259.

The Profession in Scotland.

Personal.

Mr. Alexander Cowan, C.A., has begun the practice of his profession at 4 Forres Street, Edinburgh.

Mr. John B. Peden, C.A., and Mr. Kenneth Henderson, C.A., have begun business as Chartered Accountants, at 8 York Buildings, Edinburgh, under the firm name of Peden & Henderson.

Scottish Insolvencies.

For the week ending 23rd March the number of insolvencies reported in Scotland was 32, as compared with 24 in the corresponding week of last year. The trust deeds numbered 20, as compared with 7; the sequestrations 5, as compared with 11; and the petitions for cessio 7, as compared with 6. The total number of insolvencies for the twelve weeks of the year is 336, as compared with 309 in the corresponding period of last year—the trust deeds numbering 163 against 134, the sequestrations 62 against 84, and the petitions for cessio 111 against 91. Of the 20 trust deeds reported during the week, 8 were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 38 for the twelve weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

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LAW REPORTS.

The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1687.] SATURDAY, APRIL 6, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A. (*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

For full particulars as to LICENSES INSURANCE apply to—

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The Capitalised Value of the Goodwill of a Licensed Business is the value of the license, and may be estimated upon a more liberal basis if the license is insured.

DERWENT VALLEY WATER BOARD.

APPOINTMENT OF ACCOUNTANT.

THE Board are desirous of receiving applications for the position of Accountant to the Board.

Candidates must have had practical experience in analysing and keeping Accounts, and will be required to organise, superintend, analyse, and be responsible for the Accounts of the Board, the preparation of Local Government Board Returns, Balance Sheets, the provision and investment of Sinking Funds, the keeping of all necessary Accounts relative to the issue of Mortgages and of Stock, and the keeping of all Accounts relative to the construction of the Works and the undertakings of the Board and to report thereon to the Board.

The salary will be £600 per annum, and Offices and Clerks are provided.

Applications, on the printed form to be obtained at my Office, stating age and previous experience, with not more than three testimonials of recent date, to be sent to the Board on or before Wednesday, the 16th day of April instant, endorsed "Accountant."

Canvassing will be deemed a disqualification.

O. B. STEWARD,
Solicitor and Clerk to the Board.

Bamford, *viâ* Sheffield.
2nd April 1907.

Wheatley Kirk, Price & Co.,

(ESTABLISHED 1850)

VALUERS, AUCTIONEERS & ARBITRATORS

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PERIODICAL VALUATIONS AT SPECIAL RATES.
ANNUAL INSPECTIONS FOR DEPRECIATION.
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Estd. 1821.

GUARDIAN

ASSURANCE COMPANY, LIMITED.

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LAW COURTS BRANCH:—21 FLEET STREET.

Leading Articles.

Different Kinds of Auditing.

THE proposed audit of the accounts of the London County Council has caused many persons to talk about auditing during the past few weeks who had probably never even thought about the matter previously, and as a result it is not surprising that some strange misconceptions should be brought to light. At the same time, we know of no conception stranger than

that advanced at one of the earliest meetings of the new Council by a late Treasury official, that an audit was an audit, and that it was absurd to attempt to further express the kind of audit required by any qualifying adjective. In particular, this gentleman waxed scornful over the suggestion that there should be a commercial audit of the Council's accounts. It was, he assured his listeners, as absurd to talk about a commercial audit as about an ecclesiastical audit or a military audit. We entirely sympathise with the statement that an audit is an audit, taken in the sense in which we imagine it to have been put forward—that if an audit is efficient, it is efficient, and there is an end of it, and that any qualifying adjective must *pro tanto* narrow the scope of the audit, and thus tend to limit its efficiency. For our own part, therefore, we should be inclined to deprecate the employment of any such adjectives as applied to the term "audit" if we were starting *de novo*. It appears, however, to have been overlooked that unfortunately the term "audit" is at present frequently applied to examinations that are no true audit, and that therefore the word "audit," taken without qualification, has no longer any certain significance. However regrettable this circumstance may be, it cannot seriously be disputed as a fact—hence the need for some qualifying adjective, if the kind of examination of accounts that is employed is to be clearly defined.

Following up this line of thought a little further, we must confess that our sense of humour does not enable us to appreciate the inherent absurdity of speaking of an ecclesiastical or a military audit, nor for that matter do we think that there would be any absurdity in speaking of an engineer's audit, a lawyer's audit, a layman's audit, or an official audit. The term "professional audit" is, of course, well known, and is generally used when it is necessary to distinguish between an audit so conducted and the apologies for audits normally associated with lay or official examinations of accounts. Whether or not a professional audit was meant when the term "commercial audit" was used at the London County Council meeting we are not quite certain. Very probably it was, but, on the other hand, the term "commercial audit" may have been used as signifying the investigation of accounts by a committee of experts comprising not only professional accountants, but also engineers, financiers, and others whose special qualifications might be expected to enhance the value of the inquiry.

It is superfluous to remark that if an audit is not properly performed it ought not to be called an audit at all, and thus in one sense the necessity for distinguishing between different classes of audits may not at first sight be very apparent; but on the other hand, inasmuch as audits must of necessity be conducted by human beings, and inasmuch as all human beings have their limitations—the defects of their qualities—it necessarily follows that the nature of the inquiry called "an audit" will depend to a very large extent upon the personality, and upon the present or past occupation, of the auditor. Thus one can imagine that an audit by ecclesiastics would inevitably to some extent deal with the morality of the transactions disclosed, rather than their legality or business expediency. A military audit might be expected to inquire whether all transactions were in accordance with regulations: if so, to regard them as right; and, if not, to regard them as wrong. A lawyer's audit similarly concentrates most of its attention upon the legality of the transactions disclosed,

scamping all inquiry as to whether or not the disclosure is complete, and altogether omitting —as apparently too unimportant to be considered—all questions of principle, or opinion, arising out of the accounts, or in connection with the valuation of assets. An official audit, being in the majority of cases conducted by lawyers, follows naturally upon the legal lines; but because it is official it will possess also the defects of what we have mentioned as the military type. An engineer's audit might be expected to be particularly strong on questions of value, but for that very reason would be lacking in proportion and perspective; while a layman's audit, as we all know, is in the vast majority of cases lacking in everything that is worth having, partly because the auditor has not the faintest notion of what his duties are, and partly because he has not the experience nor the staff to enable him to carry them out.

Having said so much, it is perhaps only fair that we should criticise the professional audit from the same standpoint, and this, we think, may readily be done. No professional auditor of experience would be likely to make the mistake of regarding books of account as being anything more than evidence put forward by accounting parties in support of their account, or statement of what they have been doing. It is only the bookkeeper who assumes that the mere fact of making an entry in books establishes it as a fact beyond question. At the same time the accountant, as such, is not always so well qualified to sift evidence as the lawyer, nor has he the lawyer's professional knowledge of what is and what is not *ultrâ vires*; while he lacks the engineer's knowledge of values which might enable him to test the reasonableness and *bona fides* of the views put before him by accounting parties. The ideal audit is thus no doubt one which is able to utilise the services of all persons capable of contributing towards its efficiency; and for practical purposes the term "commercial audit" is probably the best to employ by way of description, seeing that the evolution of the audit has been essentially the work of business men. When, if ever, the ideal audit becomes universal, qualifying adjectives will, of course, become redundant; but at the present time the term "audit" is used by interested or by ignorant persons in so many diverse senses that some qualification seems desirable, if misunderstanding is to be avoided.

Reduction of a Company's Capital.—I.

SOME little time since a correspondent suggested that we should devote some space to the consideration of the problems in accounting involved in the reduction of a company's capital under the various circumstances provided for by the existing statutory provisions. So far as we are aware, this is a subject which has never been dealt with systematically and as a whole, and accordingly, as it presents several features of interest, we propose to consider it in a short series of articles, of which this is the first.

It is, perhaps, of interest to note that the Companies Act, 1862, did not provide in any way for the reduction of a company's capital. This omission was, however, remedied to a certain extent by the Companies Act, 1867, Sections 9-20 of which deal with the matter. Inasmuch, however, as the successive attempts made by the Legislature to grapple with the requirements of this problem have been essentially unsystematic, it would be inconvenient for us to discuss the various statutory provisions

that exist in the order of their enactment. A more systematic method of dealing with the subject is that employed by Mr. H. B. PALMER in his "Company Law," which we accordingly propose to follow.

Mr. PALMER points out that the general rule, or principle, of the Companies Acts is that the capital of a company is not to be reduced without the sanction of the Court in any case where the rights of creditors are affected; and for this reason the creditors of a company are invited to deal with it on the footing of its registered capital being a reality, and the registered shareholders being liable for the unpaid balance of their respective shares, and of the company having received the paid-up capital which appears in its register. Nothing is better settled than that this security is not to be tampered with. The company's capital is embarked in its business, and it must run the risks of that business, which involve the possibility of a loss of capital. Persons dealing with the company are supposed to be aware of this, and to take their chance of such losses; but, on the other hand, they have a right to rely on the capital being applied in the ways indicated by the company's memorandum of association, and not being diminished by any expenditure outside those limits, including *inter alia* a return of any part of such capital to the shareholders.

As not affecting the rights of creditors, there are four ways in which a reduction of capital may, in fact, be effected without the sanction of the Court being required. They are as follow:—

(1) By a forfeiture of shares for the non-payment of calls, which has the effect of reducing the company's uncalled capital (if any) *pro tanto*. There is no express statutory authority with regard to this, but it appears to be beyond question that a company may, by its articles, take power to forfeit shares; and the effect of such forfeiture of partly paid-up shares is undoubtedly to reduce the uncalled capital of the company.

(2) By a surrender of shares as a short cut to forfeiture; a proceeding which, it appears (according to the authorities), may be valid, although it would be prudent for a company only to enter upon such a procedure under competent legal advice.

(3) By the payment off of paid-up capital out of accumulated profits under the provisions of the Companies Act, 1880, Section 3, the precise effect of which we shall discuss in detail later on.

(4) By cancelling unissued shares, in accordance with the terms of Section 5 of the Companies Act, 1877.

(5) In many cases the capital of a company has, in effect, been reduced by the voluntary surrender of certain shares standing in the names of vendors or others desirous of making some concession or allowance to the company. It is unnecessary for us to go into this point fully here, beyond stating that it affords a most convenient means of enabling vendors to assist the company by reducing the purchase price after the purchase has been completed. The validity of such surrenders is, however, always doubtful, and it was stated in *Trevor v. Whitworth* that each case must be decided upon its own merits, but that possibly a surrender to the company by way of donation might be free from objection.

On the other hand, the forms of reduction of capital requiring the sanction of the Court are these:—

(1) A reduction of the uncalled capital under the provisions of Section 16 of the Companies Act, 1867.

(2) The reduction of the paid-up capital by a return in cash to the shareholders.

(3) The reduction of the paid-up capital and the simultaneous increase *pro tanto* of the uncalled capital.

(4) The cancelment or surrender of shares unissued or surrendered, or the holders of which assent to cancellation.

(5) The paying off and cancelling of preference shares, in pursuance of a contract contained in the memorandum and articles of association, by applying for the purpose a proportion of the profits of the company.

(6) The cancelling or writing off of paid-up capital, as being lost, or unrepresented by available assets.

As Mr. PALMER remarks, *primâ facie* a reduction of capital should apply equally to all shares, even where there are several classes of shares; but where certain shares have priority as regards capital in a winding-up, the loss should be thrown first on the ordinary shares. Nevertheless, it is notorious that the holders of ordinary shares are in practice most unwilling to concede these rights to the holders of preference shares enjoying a priority as regards capital; and inasmuch as no scheme for reduction can be carried through without the necessary resolutions being passed, and as the voting power of most companies is practically in the hands of the ordinary shareholders, it follows that in practice preference shareholders are often obliged to forego at least a part of their rights in order to preserve the remainder. The reason for this is that a preference shareholder, as such, enjoys no inherent right to be paid his preference dividend, even although current profits may be more than sufficient to provide therefor. Thus the ordinary shareholders may, by abstaining from voting the dividend, virtually starve the preference shareholders into submission—with only this qualification, that where the sanction of the Court has to be obtained, a dissatisfied minority of preference shareholders may, by appearing on the motion for reduction of capital, represent its case, and then, if the equities so require, secure the Court's rejection of the scheme. The Court has, however, no power to compel the company to accept a more equitable scheme against the wishes of a majority, and thus the haggling between preference and ordinary shareholders may be continued almost indefinitely; and in practice the probabilities are that the former will soon realise the expediency of conceding at least a portion of their legal rights in order to secure the regular payment of future dividends, even if such payment be at a reduced rate.

Weekly Notes.

Company Management in Germany.

Our contemporary *The Law Journal* is responsible for the statement that the German company system includes a distinctive feature which is well worthy of attention—namely, the double board; that is to say, instead of one board of directors, a German company has apparently two, namely, the Executive Board and a Supervision Board. The first corresponds, we understand, to the board of directors common to English companies, while the function of the Supervision Board, as its name implies, is to look after the first, examine its accounts, watch its proceedings, and report to the shareholders—its position being indeed somewhat analogous to that of a committee of inspection in a company liquidation or bankruptcy. There is, however, this difference, that the German Board of Supervision is constituted of persons who are wholly independent of the company, and are, therefore, able to take an entirely disinterested and impartial view of its affairs, nor have they an-

control over the management, their function being merely to report to the shareholders, who retain control. It would be interesting if any of our readers could tell us how this system works in practice, not merely in cases where everything is going all right, but also in cases where the administrative board really requires supervision. It would also be interesting to know whether there is, in addition, an audit in the English sense of the term, or whether the Board of Supervision is not really a peculiar form of audit rendered necessary in Germany by the obscure position there occupied by professional accountants.

Borough Auditors' Election Expenses.

An application made on behalf of the recently-elected Borough Auditors of Droitwich for relief from the consequences of incurring election expenses contrary to the provisions of the Municipal Corporations Act, 1882, came before the Divisional Court on the 14th and 15th ult. In both cases the illegal expenditure was quite trifling in amount, but one of the applicants, who was second at the poll, and only secured one more vote than the unsuccessful applicant, had, it appeared, incurred expenses by issuing an advertisement casting reflections upon the manner in which the previous Borough Auditor had performed his duties. The Court came to the conclusion that it could not be said that this advertisement had no influence upon the voting. It might even have turned the scales. Under these circumstances they refused the relief asked for by the applicant, but granted relief in the case of the other applicant, who headed the poll, and who was in no way associated with the advertisement referred to. The case is of interest as drawing attention to the absurd conditions under which Borough Auditors are appointed. No expenses for election being allowed, it follows that practically nobody knows who the candidates are, and that thus the average poll rarely represents 5 per cent. of the electorate. Under these conditions, it is hardly to be supposed that the appointments will, as a rule, be representative. As, however, it is clearly the policy of the Local Government Board to discredit Borough Auditors, with a view to replacing them by official auditors, it is hardly to be expected that any steps will be taken to remove the existing anomaly.

A Complete Law Catalogue.

Messrs. Butterworth & Co., of 11 and 12 Bell Yard, Temple Bar, W.C., have recently issued a complete catalogue of leading law books, arranged under the authors' names, with a telegraphic code word for each book, which will no doubt be found a considerable convenience to provincial practitioners desirous of obtaining such works at the earliest possible moment. Apart, however, from the obvious conveniences of a code of this description, the volume will be found of interest to accountants as well as to solicitors, representing as it does practically a complete list of all the law books in current use, and its value for this purpose is greatly increased by the subject index that is appended.

The Control of Municipal Trading.

At a meeting of the Manchester and District Society of Incorporated Accountants held a short time since Mr. F. S. Oppenheim, who declared himself as a whole-hearted supporter of municipal trading, further stated that he did not approve of the present system of municipal management. Committees of experts were wanted, he said, each to deal with its respective sphere, and the practice of each member of the Council sitting on three or more committees ought to be done away with. His idea was that each member should sit on two committees only, and that the Chairman of Committees should be paid and the post placed in the hands of an expert in whom the ratepayers, as shareholders, could have absolute confidence. It would undoubtedly be a step in the right direction if the Chairman of Committees of municipal trading departments were appointed on account of qualifications such as those as would always be required for managing directors, and, of course, it is not reasonable to expect such qualifications to be placed at the disposal of the corporation gratuitously. Whether, however, a more expert and more competent type of chairman would be obtained solely because the post was a paid one, remains, of course, to be seen.

The Ocean Accident and Guarantee Corporation, Lim.

At the annual general meeting of the Ocean Accident and Guarantee Corporation, Lim., held on the 26th ult., the directors' report and accounts for the year ended 31st December 1906 were submitted and approved. These are not so framed as to readily admit of comparisons with previous years, and, indeed, the Revenue Account leaves a good deal to be desired on the score of clearness, as the result of the year's operations is nowhere shown—depreciation of leaseholds is deducted from interest, &c. received, provision for bad debts is added to commissions, and there

are other eccentricities of a similar description. These, however, do not, of course, in any way affect the ultimate result, which is entirely satisfactory, the net premium income for the year having been no less than £1,139.328, and the net profit (after provision for unexpired risks and claims outstanding) £119,765. The dividend and bonus declared, together with the interim dividend paid in September last, make a total distribution for the year of 25 per cent.; but, notwithstanding this, the carry forward will be £122,397, against £53,049 a year ago.

"Company Promoters I have Known." The current number of *The Grand Magazine* contains an interesting article under the above heading, which is apparently one of a series entitled "Confessions of a Chartered Accountant." The company promoter described by the author is a little different to the kind that usually finds its way into fiction, but in so far as there can be said to be a distinct type of promoter, the kind here described is probably more true to life than the conventional one. A note is appended to the article declaring that all the statements therein contained are true, and are literally transcribed from the author's note-books. It is so very usual, however, for fiction to be published in this form that the assertion need not, we think, be taken too seriously. On the other hand, doubtless many of our readers will bear us out when we say that the experiences of a Chartered Accountant are often stranger than any fiction, and that, therefore, it is quite possible that the article appearing in our contemporary is really a statement of actual occurrences. Whether history or fiction, it is certainly interesting of its kind.

Prophets on Wall Street. In these bustling days your transatlantic financial journalist needs a little more than a corner of the mantle of Elijah across his shoulders, for in reviewing the things that are in the light of the things that have been he needs must keep an alert eye on the things that have not come yet, but are expected to-morrow. The recent extraordinary break in American securities seems to have puzzled the critics not a little, the *Wall Street Journal* having evolved no fewer than fourteen points, all bearing on the matter, yet none of which is strong enough of itself to account for the slump:—

(1) Excessive prosperity.
(2) High cost of living, due largely to the effect upon prices of the great gold production.
(3) Readjustment of values to the higher rates of interest.
(4) Speculation in land, absorbing liquid capital that might otherwise be available for commercial enterprises.
(5) The President and his policy of Government regulation of the corporations.
(6) Anti-railroad agitation in the various States.
(7) Progress of socialistic sentiment and demagogic attacks on wealth.
(8) The Harriman investigation and exposure of bad practices in high finance.
(9) War between big financial interests.
(10) Over-production of securities.
(11) Effect of San Francisco earthquake.
(12) Demonstration to force the President to do something.
(13) Discounting business reaction.
(14) Bear manipulation.

The same paper says "Whatever the reason may be "the impressive lesson of the liquidation and decline "is that there must be fair dealing with the investor, "publicity, honest promotion, fair capitalisation, and "straight methods of financiering. This is essential "for that confidence on which the stability of values "rests." We venture to think that the whole world will say "ditto" to that.

The Railway Contracts Bill. This suggested measure was under consideration by the Standing Committee of the House of Commons on Trade recently, and was ordered to be reported without amendment to the House. It may be remembered that the Bill provides that where a railway or canal company has entered into a contract with respect to the receiving, forwarding, and delivering of traffic other than passengers and their luggage, the company shall be liable for any loss or injury done to, or for any delay occasioned by the gross negligence of the company or its servants, any term or condition in the contracts expressed or implied to the contrary notwithstanding.

Income Tax. It has recently been suggested that, as the income-tax was first imposed by the "Defender of the Faith" to provide funds for carrying on his wars, it is a question whether it can be "legally imposed" for any purpose other than war. The Brightonian who is responsible for this theory forgets that much worsted has passed through the law machinery since the days of the Uxorious One!

Money Order Payment Advices. It is announced that a system of advices of payment of money orders will be introduced in the United Kingdom on and from the 1st inst. For a fee of 2d. (inland) or 2½d. (foreign) the sender of a money order will be able to obtain an advice note that the order has been cashed. This system is said to be already in operation in certain foreign countries and in some of the colonies, and a list of the countries included in the arrangement with the United Kingdom will be found in the April issue of the "Post Office Guide."

Consols and a Remedy. A correspondent of *The Financial News*, in the course of a long and somewhat rambling letter, suggests, as a remedy for the fall in Consols, that they be brought under the provisions of Leeman's Act, so as to prevent bear selling. We wonder if our contemporary's correspondent has ever dreamt of the little comedy that would be enacted by the persistent bear of Consols and the Government broker?

Post Office Savings Bank Investments. Replying to a question put recently in the House of Commons as to whether he had considered transferring the investments of the Post Office Savings Bank from Consols to Irish Land Stock, while prices were about level, so as to increase the income of the savings banks and put them on a more solvent basis, the Chancellor of the Exchequer is reported to have said that on 31st March 1906 the Post Office Savings Bank Fund held £2,321,000 Guaranteed 2¾ per cent. Stock out of a total amount of such stock then created of £13,197,000. On the same date the Fund held £60,617,092 Consols, so that the substitution would only be practicable, if at all, within very narrow limits. There were, he said, many reasons which would make the trustees of the Fund hesitate to effect such a change, particularly under present conditions.

The Rateable Value of London. From the particulars of the quinquennial valuation of London for 1905-6 recently issued by the County Council it is interesting to note that the total rateable value of the Metropolis is £43,486,400. This shows an increase since the first valuation, 35 years ago, of 118 per cent. or £23,523,000, of which £14,310,000 is allocated to buildings, and £9,213,000 to land.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

BANKRUPTCIES AND INSOLVENCIES.

In re Button; ex parte Havaside. C.A.

Held, that a person sustaining loss by reason of Section 44 of the Bankruptcy Act, 1883 (reputed ownership) is entitled to prove against the bankruptcy in respect of such loss. Decision of Bigham, J., reversed. —(*Times*, March 27.)

COMPANY LAW.

In re Hermann Lichtenstein & Co., Lim. Parker, J.

Held, following decision in *Re Bishop & Sons, Lim.*, that where unsecured creditors to a substantial amount desire a compulsory winding-up, and no unsecured creditors oppose, an order will be made, notwithstanding that the company is already in voluntary liquidation, if the petitioners have made out a case for inquiry.—(*Times*, March 27.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.]

Good Friday as Sunday in Clubs.

(To the Editor of The Accountant.)

SIR,—Will your legal editor kindly answer me the undermentioned question in the next issue of your valuable paper?

I am secretary of a club registered under the Companies Acts, and also registered with the Clerk to the Justices, pursuant to the Licensing Act, 1902, as a club in which intoxicating liquors are sold to members only.

Enclosed you will find one of our rules which relate to opening and closing of premises. It was thought of keeping the club open on Good Friday as an ordinary week day, but some of the directors doubted whether we were permitted to do so, contending that the premises could only be opened as on Sunday. My contention is that we are quite justified in opening as an ordinary week-day. Will you kindly inform me who is correct?

Opening and Closing.

Rule 22.—The hours for opening and closing the club premises shall be as follows:—Weekdays, 9 a.m. till 11 p.m.; Sundays, 9 a.m. till 11.30 a.m.: 6 p.m. till 10 p.m.

Yours truly,

March 28th 1907. ARA.

Auditors' Recommendations and Non-compliance by Directors.

(*To the Editor of The Accountant.*)

SIR,—In auditing the accounts of a limited company a year ago, I found that the directors had dealt with certain matters in an obviously illegal manner. On drawing their attention to them they refused to take any steps in the matter, and I therefore reported the facts to the shareholders.

On auditing the accounts this year I find that nothing has been done in the matter. Do you consider I should report to the same effect this year, and again in every subsequent year during which I continue the audit? Or is the auditor's responsibility at an end on making his first report?

Yours faithfully,

2nd April 1907. BETA.

The Chartered Accountant Students Society of London.

Local Authorities and their Finance.

By T. H. CLARE,
Treasurer of the City of Birmingham.

A LECTURE delivered at a meeting of the London Society on November 21st, Mr. E. E. PRICE, F.C.A., presiding.

In his address to you on the 21st March last, Mr. Percy Ashley gave you a description of the work of local authorities, and, in doing so, he also explained their origin and growth.

To-night it will be my task to endeavour to give you some idea of the means whereby local authorities meet their financial obligations in connection with the work which was the subject of Mr. Ashley's address.

To clear the ground, I may at once say that the income and expenditure of the trading undertakings of local authorities are dealt with precisely in the same manner as are those of well conducted public companies, with the exception of the fact that in all cases it is necessary for provision to be made for the liquidation of the loan debt within specified periods.

Perhaps, however, I should note this further difference, that any net surplus or profit has to be carried to the credit of the rates, instead of being divided amongst shareholders, and that in the event of any loss the deficiency has to be made good out of the rates.

The expenses of local authorities in carrying out their functions as such are paid primarily out of rents and profits of property, fines, fees, penalties, tolls, dues and duties, and profits of trading undertakings, together with other miscellaneous receipts of a like nature.

These sources of income, however, are, in all but a very few cases, quite inadequate to meet the necessary annual expenditure. It has been recognised that many of the services undertaken by local authorities are more or less of an Imperial nature—such as Police, Poor Relief, Education, &c.—and for many years it has been the practice for grants to be made from the Imperial Exchequer in aid of such services. But even when these receipts have been brought into account there still remains a serious deficiency which has to be made good by rates levied on the public. The rates for 1903-4, the last year for which returns are available, amounted to no less a sum than £52,000,000.

Such of the expenditure of local authorities, however, as is for works of a permanent character is properly regarded as being in the nature of capital outlay, the cost of which ought to be spread over a term of years; and in these cases, either by the authority of Parliament under local Acts, or by sanction of a Government Department under general Acts, local authorities are empowered to borrow money for the purpose of defraying the same. Where this is done it is the invariable practice of the sanctioning authority to make it a condition of borrowing that adequate provision should be made for the liquidation of the debt.

The special features, therefore, which are peculiar to the finances of local authorities appear to relate to (1) Receipts from the Imperial Exchequer; (2) Public Rates; (3) Loans; and (4) Repayment of Debt.

The two first-named sources of revenue are dealt with in very great detail in the Report of the Royal Commission on Local Taxation, which was appointed in 1896; and the

report is well worth the careful study of anyone desirous of becoming well informed on these subjects. My observations under these heads therefore will be of a general nature.

(1) *Receipts from the Imperial Exchequer.*

Up to the date of the passing of the Local Government Act, 1888, grants received from the Exchequer had some definite relation to the expenditure in each locality in respect of the various services in aid of which they were given. They were for the following purposes:—

Police, half cost.

Pauper lunatics, 4s. per head per week.

Disturnpiked and Main Roads, half cost.

Salaries of Poor Law Medical Officers, Cost of Drugs, and Medical Appliances, one-half.

Salaries of Teachers in Poor Law Schools, about one half.

Salaries of Medical Officers of Health and Inspectors of Nuisances, one-half.

Additional remuneration of Registrars of Births and Deaths, depending upon number of cases registered.

Payments to Public Vaccinators, number of successful cases.

Criminal Prosecutions, whole cost.

Education:

Annual Grants, based upon a combination of average attendance and the educational standard attained.

Fee Grants, based upon average attendance.

The Act of 1888, however, completely altered the nature of the aid given out of the Imperial Exchequer. In lieu of the grants above enumerated, except those for education, certain local taxation licence duties were definitely assigned to local authorities, together with a proportion of the probate (afterwards estate) duties.

The local taxation licence duties were to be allotted to the respective counties in which they had been collected, whilst the probate (afterwards estate) duties were to be distributed amongst the several counties in England and Wales in proportion to the share which the Local Government Board certified to have been received by each county during the financial year ending the 31st day of March 1888, out of the grants theretofore made out of the Exchequer, which would cease to be granted after the passing of the Act.

In 1890 a further allocation of duties was made under the Customs and Inland Revenue Act of that year, when certain surtaxes on spirits and beer were assigned to local authorities. Of the revenues so granted £300,000 was to be applied for the purpose of police pensions in England, one-half being applicable to the Metropolitan Police and remaining half being distributed amongst the provincial forces. Distribution of the last-named sum is provided for by Section 17 of the Police Act, 1890. The basis of such distribution is as follows:—(1) A sum equal to the rateable deductions from the pay of constables made in the preceding year is to be paid to each pension fund; (2) the residue of the £150,000 is to be distributed among the police authorities in proportion to the amount paid during the preceding year in respect of pensions, allowances, and gratuities out of their pension funds.

The residue of the surtaxes was to be allocated in the same way as the probate and estate duties.

It should be stated that the total receipts from the Exchequer from all these sources greatly exceeded the relief given prior to 1888. In the latter year the grants for the like or similar purposes amounted to £2,860,384, whilst in 1905-6 the amount received was £7,003,305.

In 1896, under the Agricultural Rates Act of that year, further relief was afforded out of the estate duty, but this did not so much affect the finances of local authorities as it did the pockets of individual ratepayers, inasmuch as it was intended to be in recoupment of allowances made by the rating authorities to occupiers of agricultural land of one-half of certain rates.

The Education Act of 1902, which abolished School Boards and transferred their functions to the local education authorities, provided for an aid grant (Section 10), the distribution of which was designed with a view to afford a larger measure of relief to the poorer districts. The method of arriving at the amount is so ingenious that I am tempted to reproduce the section, which is as follows:—

"10.—(1) In lieu of the grants under the Voluntary Schools Act, 1897, and under Section 97 of the Elementary Education Act, 1870, as amended by the Elementary Education Act, 1897, there shall be annually paid to every local education authority, out of moneys provided by Parliament—

(*a*) a sum equal to four shillings per scholar; and

(*b*) an additional sum of three halfpence per scholar for every complete twopence per scholar by which the amount which would be produced by a penny rate on the area of the authority falls short of ten shillings per scholar: Provided that, in estimating the produce of a penny rate in the area of a local education authority not being a county borough, the rate shall be calculated upon the county rate basis, which, in cases where part only of a parish is situated in the area of the local education authority, shall be apportioned in such manner as the Board of Education think just.

"But if in any year the total amount of Parliamentary grants payable to a local education authority would

make the amount payable out of other sources by that authority on account of their expenses under this part of the Act less than the amount which would be produced by a rate of threepence in the pound, the Parliamentary grants shall be decreased, and the amount payable out of other sources shall be increased by a sum equal in each case to half the difference."

Besides the assigned grants and revenues enumerated above, a few small sums were received from the Exchequer in respect of Conveyance of Prisoners, Reformatory and Industrial Schools, &c. The total receipts from the Exchequer for the year 1903-4 amounted to £15,614,000, and represented approximately a relief of nearly 1s. 7d. in the £, calculated on the rateable value.

The method of distribution described above in connection with the local taxation licence duties and estate duty under the Act of 1888, and of the residue of the customs and excise duties under the Act of 1890, whilst it applies to the distribution between geographical counties, does not hold good as regards the division of these duties between administrative counties and county boroughs. The reason of this is that, under Section 32 of the Act of 1888, an equitable adjustment was required to be made between administrative counties and county boroughs which was to include all the financial relations between them; and one of the principles laid down was that a county was not to be placed in a worse financial position by reason of the boroughs therein being constituted county boroughs, and that a county borough was not to be placed in a worse financial position than it would have been if it had remained part of the county and had shared in the division of the sums received by the county in respect of the assigned revenue.

The adjustments made throughout the country under this section were not all on the same principle, but the great majority were in the following terms, namely:—

"Out of the aggregate proceeds of the local taxation "licences and probate duty grant payable on behalf of the "county and county boroughs under Sections 20 and 22 of "the Local Government Act in any financial year, there "shall be first paid to the county councils and borough "councils respectively sums representing the amounts of "the discontinued grants paid out of the Exchequer in aid "of local rates prior to the passing of the Local Govern-"ment Act (less the amount of the grants in respect of the "salaries of poor law medical officers), together with "amounts representing the grants to be made by each "council under Section 26 of the said Act in respect of "the costs of union officers, drugs, and medical appliances. "The residue of the proceeds, after deduction of the "amounts specified, shall be divided between the councils "of the county and county boroughs in the ratio of the "respective rateable values of such county and county "boroughs."

It should be pointed out that the grant of the customs and excise duties was originally intended for the creation of a fund for the purchase and extinction of licences; but, after the grant had been sanctioned by Parliament, the recommendations of the Government with regard to the purchase of licences were thrown out. The duties were therefore applied to general purposes. Under the Education Act of 1902 it is enacted that all, or so much as may be deemed necessary, of these duties shall be applied to the purposes of higher education, and in nearly every county and county borough throughout the kingdom the whole amount received is so applied.

It cannot be said that the principle of affording relief from the Exchequer is an ideal one, for it has been pointed out that, in the case of customs and excise duties, we have the curious anomaly that the relief given in respect of higher education has no relation to the needs of the district in that direction, but is determined by such circumstances as the cost of main roads, the expenditure on police, and the cost of pauper lunatics, &c., in the year 1888.

The inconsistencies attending the present system of affording Imperial relief to local purposes appear to have been fully realised by the Royal Commission, though the members were not unanimous in their recommendations. The majority report recommends the continuance of the principle of assigned revenues, but a distribution of the proceeds based upon the actual expenditure upon each purpose of an Imperial, or partly Imperial, nature; whilst the report of Sir Edward Hamilton and Sir George Murray advocates the abolition of assigned revenues, and suggests that in the relief afforded the real requirements of a locality, and its ability to meet those requirements, are factors which should both be taken into account.

Public Rates.

The levy and collection of rates are subjects with regard to which there are many and diverse practices. These, as before stated, are dealt with at considerable length in the report of the Royal Commission, and it would serve no good purpose to go into any minute details on the present occasion.

The object of levying a rate is, of course, to obtain the money necessary to meet the deficiency, or estimated deficiency, in the income of the local authority by spreading the burden in the most equitable manner possible over the respective ratepayers. In order to do this, a basis of apportionment has to be found, and for this purpose the annual value of the property occupied by each ratepayer has been fixed upon.

The rating area is the parish in the case of the poor rate, and the district of the local authority in the case of the general district rate.

For the most part, the valuation of property for the purposes of rating is provided for in the Union Assessment Acts, 1862 to 1880. In the case of the metropolis, however, more modern principles prevail, and a quinquennial valuation is required to be made under the Valuation (Metropolis) Act, 1869.

The authority in a poor law union which controls and supervises the valuation of rateable properties within it, is a committee of the board of guardians called the Assessment Committee, the authority of the committee extending over every parish comprised in the union. There is, however, no obligation (except in the case of London as aforesaid) to make valuations at definite periods, so that in some cases the existing valuations have remained in force for thirty years or more.

For the purpose of arriving at the annual value, the first process is to ascertain the gross estimated rental of the hereditament, and this has been defined as the rent at which the hereditament might reasonably be expected to let from year to year, free of all usual tenant's rates and taxes and tithe commutation charge, if any. The net annual value, or rateable value, is obtained by deducting from the gross estimated rental the probable average annual cost of the repairs, insurance, and other expenses, if any, necessary to maintain it in a state to command such rent.

Thus, where a house is let on an annual tenancy, and the landlord undertakes the repairs, the rent paid by the tenant represents the gross estimated rental, and the rateable value is arrived at by a deduction representing the average annual cost of repairs which falls upon the landlord.

In the case of a house let on a lease, where the tenant undertakes the repairs, the rent actually paid would represent the net annual value, or rateable value.

It is found that the various valuing authorities throughout the country adopt very different percentages of deduction to represent repairs, and with a view to securing some sort of uniformity in this direction the Royal Commission made several important recommendations, having for their object the creation of one valuation authority in each county, the Valuation List of that authority being the basis on which rates and taxes for all purposes should be raised.

In the Session of 1905 the Government promoted a Bill for giving effect to these recommendations; but it had to be abandoned, and consequently the present inconvenient system of having different valuations of the same property for different purposes continues.

The following table, adapted from the Report of the Royal Commission on Local Taxation, shows briefly the principal spending authorities outside the metropolis, the rates to which they have recourse, and the more important purposes on which rates are spent:—

Authority	Rate	Purpose
Guardians and Overseers	Poor Rate	Relief of Poor and minor services
County Councils ..	County Rate (part of Poor Rate)	Police, Main Roads, Asylums, &c.
		Elementary and Higher Education
Town Councils ..	Borough Rate, and in some cases Watch Rate (both sometimes part of Poor Rate)	Municipal Services, Police, and Asylums in some cases
		Elementary and Higher Education
	General District Rate or Improvement Rate	Roads, Sanitary Services, &c.
Urban District Councils	General District Rate or Improvement Rate	Roads, Sanitary Services, &c.
		In some cases Elementary and Higher Education
Rural District Councils	Poor Rate	Highways and General Expenses
Parish Councils ..	Special Expenses Rate	Sanitary Works
	Poor Rate	General Parochial Services
	Lighting Rate	Lighting

Some rates are made by authorities making precepts on the overseers for the amount they require, in which cases the overseers include such sums in the poor rate. When this is done, and the area of the authority is in more than one parish, the amount required to be raised by rate has to be divided among the different parishes. This division is made, in the case of a county, in proportion to the county rate basis; and in the case of a borough generally, in proportion to the rateable value for poor rate, but in exceptional cases on a special valuation.

In making the poor rate the amount in the £ is calculated upon the assessable value under the Agricultural Rates Act, 1896, and not upon the rateable value, the former being one-half the value of agricultural lands added to the value of all the other hereditaments. Allowances of 30 per cent. are made to owners of compound property. The limit of compounding in London is £20, in Liverpool £13, in Manchester and Birmingham £10, and in the remainder of the country £8. Under the Agricultural Rates Act an allowance of one-half is also made on all assessments of agricultural land.

Before a rate is made it is necessary for an estimate to be prepared of the money required for the purposes in respect of which such rate is to be made, showing the sums required for each purpose, the rateable value of the property assessable, and the amount of rate which for these purposes it is necessary to make in each £ of such value.

It is very important to observe that inclusion in the estimate of sums which the authority has no legal right to expend may, upon the appeal of any aggrieved ratepayer to the Court of Quarter Sessions, cause the rate to be quashed.

The provisions referring to the general district rate leviable under the Public Health Act of 1875 will be found to apply to most rates of a like nature leviable throughout the country.

The rate may be made and levied either prospectively, in order to raise money for the payment of future charges and expenses, or retrospectively, in order to raise money for the payment of charges and expenses incurred at any time within six months before the making of the rate. In calculating the period of six months during which the rate may be made retrospectively, the time over which any appeal, or other proceeding relating to the rate is pending, shall be excluded.

The limit of compounding under this rate is £10, and owners of hereditaments not exceeding £10 valuation are assessed at one-half only.

An allowance of three-fourths is also made to owners of tithes, agricultural land, railways, canals, &c.

Premises are not rateable during the time they are unoccupied.

It would obviously very much simplify matters if all the persons concerned in the levy of any rates and taxes were to concur in one uniform valuation. Still further would a reform be effected if a single rate were substituted for the two or more which now invariably have to be levied in every district. The difficulty in bringing about this improvement lies in the fact that, in the case of rates levied under the Public Health Act and similar Acts for what are called sanitary purposes, agricultural land, railways, and canals are assessed at only one-quarter of the full annual value; and that, in the case of compound property, allowances to owners are on a different scale to that which obtains in the levy of the poor rate. In London this has been done under the Valuation (Metropolis) Act, 1869, and it is hoped that some way may be found of overcoming these difficulties in the country generally.

Whilst dealing with the subject of rates, I should like to say that the rate in the £ levied does not necessarily constitute an adequate standard of comparison between different localities. In consequence of the want of a uniform system of valuation it sometimes happens that where the valuation is low a somewhat high rate in the £ is not so burdensome to the ratepayer as a lower rate might be in a district with a high valuation.

Loans.

Where a local authority is empowered to borrow money, the usual methods of raising the sums required are (1) by the issue of mortgages, and (2) by the creation and issue of stock.

In various instances other securities have been permitted and employed—namely, the issue of perpetual or terminable Annuities, Debentures, and Bills. As these are somewhat exceptional, it will suffice to describe the two first-mentioned methods.

The most convenient form of borrowing is by mortgage repayable by equal annual instalments of principal, or of principal and interest combined, extending over the whole period sanctioned for the loan. There is thus only one creditor to deal with, and one payment to make either yearly or half-yearly, and no sinking fund to put aside and invest. The number of lenders on this kind of security, however, is somewhat limited; and, apart from the Public Works Loan Commissioners, insurance companies, benefit societies and other bodies dealing with large financial operations, very few persons can be found who are willing to accept repayment of their loans by annual instalments, or to lend them for such long periods. The greater number of mortgages, therefore, have to be issued for comparatively small sums, repayable in full at the end of periods of from three to ten years, or even at six months' notice.

Mortgages repaid before the expiration of the period sanctioned for the loan may be paid out of accumulations of the sinking fund, and, so far as these do not suffice, by loans reborrowed to replace them. As the sums so borrowed are many of them of small amount ranging from £100 upwards, it follows that the work connected with their negotiation and issue must be very great in the cases of local authorities having a large outstanding debt. Besides this, the fluctuations of the money market and the varying conditions of trade may cause money to be withdrawn in large amounts in times when it may be by no means easy to reborrow it. Having regard to these facts, and to the rapidly increasing debt of local authorities, it has become the practice during the last thirty or thirty-five years for such authorities to obtain statutory power to issue stock.

Stock has many advantages. It is not redeemable until the expiration of a certain definite number of years, varying in practice from twenty to sixty; it can be purchased in any amounts to suit the convenience of investors; it is readily transferable, and it is generally issued in large blocks by public tender, so that the whole of the money required to be raised is obtained at once.

On the other hand, it must be mentioned that, after issuing stock, it is not possible for local authorities to take

advantage of any lower rate of interest at which new loans might have been obtained during part of the period in which the stock is current.

In some cases stock has been made irredeemable, but in all modern consent orders it is made a condition that it shall be redeemed at a definite date.

Stock is usually constituted a charge on all the revenues of the authority, and sometimes the real property is also included in the security. It is either registered in the books of the authority, or of a joint-stock bank appointed by them, in which case scrip is issued and transfers are effected by deed; or else it is inscribed in the books, in which case there is no scrip, though a certificate of inscription is usually given (which has no value after its date of issue), and transfers are effected in the books by personal attendance of the stockholder or his attorney.

For the payment of dividends and the redemption of the stock, provision has to be made by means of a loans fund, or sometimes by a separate fund for each of these purposes; and an account has to be kept and returns made of the several purposes to which stock has been allocated, and of the amounts provided for the redemption of the same.

In some of the larger municipalities power has been obtained in recent years to use moneys for the time being forming part of the loans fund or sinking funds, and not required for the payment of dividends on stock, for any purpose for which the authority may be authorised to raise money under any statutory borrowing power. The use of the loans fund or sinking funds in this manner is regulated by statutory enactments relating to the necessary bookkeeping, and obliging the authority to make returns to the Local Government Board in connection with the exercise of the power.

It has sometimes been objected that the loans fund and sinking funds are created for the redemption of debt, and should, therefore, be applied to no other purpose; but it must be remembered that these funds are not called into being as a security for the lenders, but in order to ensure that each loan raised shall be provided for out of revenue during the period for which it is sanctioned. The use of the accumulations of the funds, therefore, for the purposes of new loans is perfectly legitimate, and tends to considerable economy in working. It not only saves the expense of raising, and the management of, new capital, but it obviates the necessity of investing the loans fund or sinking funds in outside securities, with regard to which there must always be some risk, however slight, and which may, or may not, when realised, yield the amount originally invested.

Repayment of Debt.

It is no doubt a salutary regulation which obliges local authorities to provide for the liquidation of all their debt, although some of it may have been incurred for the purchase of properties which are not only permanent assets, but are actually increasing in value year by year.

The periods within which loans must be repaid, or their redemption provided for, vary according to the period of usefulness, or length of life, of the respective works with a maximum which is generally fixed at sixty years, but which has in some exceptional cases been increased to eighty, or even, as in the case of the London Water Board, to one hundred years.

Thus loans in respect of the promotion of Bills in Parliament are generally to be repaid in five years; those for wood paving in from seven to twelve years; those for granite paving in from twelve to twenty years; those for buildings, sewers, &c., in thirty years; and those for land in from fifty to sixty years, and so on.

The method of providing for the repayment is sometimes prescribed by the authorities sanctioning the loan, but it is more usual for local authorities to be permitted a choice between several methods. The methods most generally employed are as follows:—

(1) Equal annual instalments of principal.

(2) Equal annual instalments of principal and interest combined.

(3) The establishment of a sinking fund.

(4) The establishment of a loans fund.

The first two methods represent, generally speaking, arrangements made between local authorities and their mortgagees; but the principles embodied in them may be applied to payments to be made into sinking funds and loans funds.

If the first-named method be adopted, the instalments of principal remain the same throughout the period of the loan. It follows that the amount required to pay the interest on the outstanding balances will year by year be smaller, so that the total charge for interest and principal combined will be annually decreasing. This is the more equitable way of providing for repayment in cases where the loan is raised for works whose usefulness is greatest in the earlier years. For example, street paving is at its best in the earlier years, when it requires little or no repair. As time goes on its efficiency is impaired, and the cost of repairs is increased.

For works, however, of a more permanent nature, whose usefulness will be as great at the end of the period sanctioned as at the beginning, the second method is more just, as it spreads the burden of principal and interest equally over the whole period. Waterworks may be cited as an example of this, inasmuch as future generations may be

expected to benefit from the works inaugurated by the present generation.

The temptation, however, to local authorities to postpone as much as possible any additional burden often induces them to prefer the second method, even in cases where the first would be more equitable.

I cannot conclude these remarks on the finances of local authorities without a brief reference to the criticisms which of late years have been so frequently made with regard to the growth of local debt.

Due weight does not appear to have been given to two important considerations, one of which is that debt on remunerative undertakings is not only no burden on the ratepayers, but actually affords them a relief; and the other is that, so far, there has been no standard whereby expenditure on unremunerative works may be gauged—*i.e.*, no ideal equipment has been determined upon as the minimum which can be regarded as satisfactory in a well ordered community. Until such an equipment has been attained, it is incorrect to describe the growth of debt as extravagant when it exceeds the rate of increase in population or in rateable value. It is obvious that it must for some time exceed these rates if it is to overtake the neglect, though perhaps not wilful neglect, of past ages.

Comparison is also frequently made between the local debt and the National Debt. There are, however, very important points of difference between them.

The National Debt is, generally speaking, not represented by solid assets, and its liquidation is a very slow process, often retarded, or almost suspended, in times of financial stress, so that no one can look forward to seeing the existing National Debt paid off in his lifetime.

On the other hand, the local debt, for the most part, is represented by substantial assets in the shape of land, buildings, works, objects of art, &c. It is being paid off in comparatively short periods, and there is no doubt that in thirty years the existing debt will be reduced by at least 75 per cent. Indeed, if the annual amount at present set aside for its redemption were continued for thirty years, and accumulated at 3 per cent. compound interest, the whole of the indebtedness would be wiped out.

Liverpool Society of Chartered Accountants.

At a meeting of the Committee held 26th ult., the following were elected officers of the Society for the ensuing year:—

President.—Mr. Ben Cookson, F.C.A.

Vice-President.—Mr. A. F. Dodd, F.C.A.

Hon. Treasurer.—Mr. R. C. Blease, F.C.A.

Hon. Secretary.—Mr. W. E. Mounsey, F.C.A.

The Preparation of Accountants' Certificates for Purposes of Joint-Stock Company Flotations.

By Arthur F. Dodd, F.C.A.

A lecture delivered to the Leicester, Leeds, Northern, and Bristol Chartered Accountant Student Societies during 1906 and 1907.

The ever-increasing tendency to adopt the principle of limited liability and apply it to business ventures, both large and small, has requisitioned the services of many professions. In some cases this procedure may be said to have created certain distinctive avocations of a more or less professional character—viz., the patent expert, company promoter, and registration agent.

Speaking generally, such wide adoption of the principles governing the formation, registration, and administration of limited liability ventures has proved a profitable source of employment to Chartered Accountants, and a noticeable feature of the numerous prospectuses issued from time to time is the almost invariable announcement that Chartered Accountants have been selected as auditors. In view of the relationship thus so frequently established, the title of this paper has been considered a subject worthy of attention from those who belong to that honourable profession.

The subject of certificates given by Chartered Accountants naturally falls under two heads:—

(*a*) Those appended to the periodical accounts of concerns registered with limited liability.

(*b*) Those which disclose the working results of a concern in certain stated periods, which may or may not be in exact accord with the books of account.

While the former class of certificates practically indicates the performance of an audit—either complete or partial—the latter class are essentially matter of investigation, and may or may not have been preceded by an audit.

It is certificates setting forth the results of investigations that have to be considered on this occasion. Inasmuch, however, as the terms "Audit" and "Certificate" are often loosely and unwisely used, both by Chartered Accountants and laymen, it is desirable at the outset to define precisely what those terms respectively mean.

The word "Audit" literally means "He hears." So an audit, besides actual consideration of documents, figures, and accounts, also includes the collection of evidence and examination of witnesses upon transactions connected with the subject-matter of the audit. Hence an audit may be described as a compound operation, involving a calling upon third parties to give account of their stewardship, together with an examination of their actions, as distinct from their powers, express or implied.

The difference between a "complete" and a "partial" audit does not call for particular notice on this occasion;

suffice it to state that the term "audit" can only properly and judiciously be used in cases where the examination has been so thorough and exhaustive as to warrant the auditor in granting a certificate and report without any qualification.

In the next place, a definition is needed for the term "Certificate." What is a certificate? It is not a report; it is not a recommendatory letter; neither is it a forecast or expression of opinion. No document can be a certificate which omits as a fundamental part of its composition the words "I or we certify." The statement, "I or we certify "that all my or our requirements have been complied with," is a definite assertion of fact. But the statement, "I or we "certify that all my or our requirements have been legiti- "mate and reasonable," is not conclusive; it is liable, moreover, to misconception. Whether the requirements are legitimate and reasonable depends, not upon the assertion of those who make the requirements, but upon the decision of a properly constituted authority. Accordingly, the proper form in which to express the point is this: "In my "or our *opinion* all my or our requirements have been "reasonable and legitimate." Further, it will be remembered that an auditor does not *certify* that a Balance Sheet *is* properly drawn up, but he expresses his opinion regarding it. We arrive, then, at the conclusion that a certificate is a signed document which, disregarding all debatable matter, sets forth facts, and only facts. When the circumstances of a given case require certain qualifying statements to be made, the document ceases to be a certificate in the strict meaning of that term, and becomes a report, which, while dealing with facts, treats also of points that are necessarily matters of opinion.

These opening observations are necessary in order to emphasise the indispensable importance of exact statement and phraseology.

The preparation of certificates for purposes of joint-stock company flotations is a proceeding which tests to the utmost the abilities of a skilled accountant. There can be no doubt but that a wide commercial experience and intimate acquaintance with business usages and customs is of more intrinsic value in this particular direction than all technical and theoretical knowledge of the science of accountancy, however advanced that knowledge may be. And the reason is very evident. For, whereas an auditor is not responsible for the preparation of the accounts which he signs in that capacity, nor for the manner and form in which the same are published, on the other hand an accountant is solely and entirely responsible for the certificate and report, compiled, signed, and issued by him. He is, or should be, perfectly free to construct the document bearing his signature in his own words, and to set forth the facts in such manner as in his uncontrolled discretion appears desirable, under the circumstances of any given case.

To describe a few of the obstacles which hinder such unfettered performance of duty, is one of the chief objects of this paper.

We proceed to deal with the subject under two primary heads:—

1st.—Where the books of a concern have been regularly audited—

(*a*) by the Chartered Accountants who give the required certificate for flotation purposes;

(*b*) by Chartered Accountants, or other professional accountants, who do not issue a certificate for such purposes.

2nd.—Where no audit has been made by professional accountants or others, and—

(*a*) Regular periodical accounts have been prepared, and the books properly kept and balanced;

(*b*) The account-keeping has been imperfect, and the available information and records are unreliable.

Taking the first of these cases, under normal circumstances it will usually be possible for one who has fully audited the books and accounts involved to issue an unqualified certificate as to the results arising from his examination. Assuming it has been customary for the auditor to give an unqualified certificate and report for purposes of audit, the matter of Secret Reserves, made *bonâ fide* with the knowledge and entire approval of the auditor, may nevertheless require to be covered by legitimate phraseology when making up a certificate or report for purposes of flotation. No doubt, the most satisfactory method of dealing with this point is to state in the body of the certificate or report that ample provision has been made for all charges ascertained or contingent, and that the figures given subsequently are arrived at after these reserves have been made. But here we come to what generally proves a difficult matter to settle—namely, the difference of view held by the owners of a concern as to the profits for purposes of division among themselves, and profits upon which, to a large extent, the purchase price is to be based. Theoretically, there ought to be no practical divergence in this direction, since ordinarily the true profits are definitely ascertainable from the books and accounts for each and every purpose. Yet experience shows that, however reasonable, this theoretical view finds practical application in but few cases. While willing and even anxious to make ample and numerous reserves, either from prudential or economic reasons, in the normal course of things, the owners of a concern almost invariably claim to have those reserves which are not actually absorbed—such as Depreciation, Bad Debt, and Sinking Funds—re-transferred as profits for flotation purposes. The reasons usually advanced in support of such views are to the effect:—

(1) That a voluntary transfer or allocation of profits does not preclude a re-transfer to revenue of the whole or such part of the same as may be intact. The power which created the reserve has power to annul it, or any portion of it.

(2) That, in view of a first public disclosure of profits, it is expedient to put forward the best possible position of affairs, particularly as the future credit and financial facilities to be given to the new undertaking are likely to be closely affected thereby.

(3) That, inasmuch as interest on capital and such like charges (which will be covered by the annual service to be paid for use of the issued capital under limited liability) are expressly and properly added to the net figure of profits shown in the books, it is quite justifiable to contend that special funds created out of profits for contingencies which have never matured should be taken into account as part of the profits made by the concern, and available for appropriation.

Now, without discussing the merits of these views, or otherwise, the fact remains that their acceptance or rejection in whole or in part necessarily depends upon the nature and circumstances of a given case. There are cases in which transfers to a secret reserve or contingent fund might with perfect propriety be treated as profits available for distribution or allocation. And again, instances arise where, in view of inadequate provision for charges in other directions, these undisclosed reserves offset losses made or accrued, but not actually ascertained, so that their existence as reserves becomes nominal only: that is, there exists no asset or group of assets properly representing the same.

If these, and problems of a similar nature, arise where the Chartered Accountant giving the certificate or report has also performed a complete audit of the accounts concerned, it will readily be understood that the problems are not likely to be diminished where the auditor and the certifying practitioner are distinct individuals.

A few brief comments must suffice to deal with this aspect of the subject. Auditors and audits differ widely, even in analogous undertakings. The first point, therefore, is that the certifying practitioner should clearly ascertain what audit work has really been done, who has done it, and the incidental points that have arisen in connection therewith during the period to be covered by the certificate or report for purposes of flotation. A careful scrutiny of the annual or other audited Balance Sheets and Profit and Loss Accounts prepared during the period under investigation is as useful as it is essential. The auditor's reports, together with any verbal amplifications or explanations he may have given, should be noted, classified, and referred to. It may happen—through death or other cause—that the auditor's signed certificate and report form the only available information regarding his connection with the accounts; in that event, if it be desired to have an unqualified certificate as to profits, it will probably be found necessary to re-audit the accounts. On the other hand, being satisfied as to the extent and method of audit, the certifying practitioner in adopting the figures examined and certified by an auditor, must be careful to state that fact precisely and definitely in his report to the directors of the limited undertaking, and to indicate what necessary adjustments have been made by him on the audited figures for purposes of flotation.

Paradoxical as it may appear, to a certain extent and in most instances it is both desirable and necessary for the certifying practitioner to "audit the auditors' work." For it cannot be too strongly enunciated that an audit is not, and never will be, a guarantee against error—either unintentional or designed; neither is an audited statement of profits, merely because it has been audited, unassailable or unalterable. Therefore, while the method or means of arriving at results differ somewhat in detail, in the two cases already considered the primary point is not "are the arithmetical results reliable?" but "are the results actually sound and *bona fide*, as well as arithmetically correct?"

The third case to be noticed is where the books and accounts have been kept in a regular and proper manner but no audit of the same has been made.

Bearing in mind what was previously stated regarding the tendency of proprietors to present not only the most favourable, but sometimes even a misleading position to the public, an investigating accountant will do well to make a mos searching and exhaustive inquiry, more perhaps into the principles than the details applying to the accounts under examination. And the better these are kept will often be found a good reason for more fully testing the various points involved.

The exact distinction between capital and revenue charges is often a complex matter, especially where the assignment of such charges is for all practical purposes, a matter of individual opinion or discretion. To take a simple instance. Many large concerns carry on building extensions of their works and factories, employing their own men or engaging additional labour for this purpose. Accordingly an allocation of wages during the construction or extension of a factory ought to be made, for the purposes of accurate account keeping, distinguishing the due proportion chargeable as capital outlay and that which applies entirely to revenue.

It will frequently be found, when examining accounts where these circumstances exist, that this necessary distinction has not been made: the point has escaped notice, or possibly never been thought of at the time the outlay was made. Such a point, while it would not presumably escape detection where an effective audit had taken place, is by no means uncommon in books which, so far as accuracy and clearness are concerned, leave nothing to be desired.

Although private firms and traders on their own account may not appreciate the importance of accurately distinguishing capital and revenue receipts and payments, and, relying upon the proved trustworthiness of those in charge of their accounts, exercise no critical supervision of the entries made in their books, yet the fact remains that failure to exercise this power may cause serious misapprehension as to what is the exact position of affairs.

The main points, therefore, which call for attention in cases under this category are errors of principle as distinguished from deliberate errors intended to deceive the investigator, or to wilfully obscure the real facts.

The vital importance of proper account-keeping is never more apparent than in cases involving a transfer of proprietorship. It is no uncommon experience to find that the owners of concerns carrying on business transactions of considerable magnitude neglect due attention to this matter, though other departments of their undertaking are adequately and expensively stafled with expert helpers. Many and varied are the causes for such a condition of affairs, the principal reason being no doubt a popular delusion that expert bookkeepers, as distinguished from the mechanical Ledger clerk, are too costly and unproductive for ordinary trading concerns.

From whatever cause imperfect and unreliable account-keeping arises, when the matter comes under the immediate consideration of an investigating accountant for the purpose of ascertaining results, it assumes an aspect not merely regrettable, but very often detrimental. In fact, where no reliable records are available, a report has to be so cautiously and explicitly worded as, in effect, to defeat the object of its preparation and issue.

The best way of illustrating a few out of many difficulties to be met with in this direction will be to state and consider a hypothetical case.

A., B. & Co. are general merchants having extensive connections and transactions. The firm consists of two partners. A., the senior, is a man of independent means, and gives little attention to the business, the use of his capital being considered as part services. B. is A.'s nephew: he has no capital, and is supposed to be the working partner, having the chief practical direction and supervision of the concern. The firm have been established many years, and the books have always been kept upon a single-entry principle. The stock has been taken at intervals varying from one year to three years. No regular basis has been adopted in regard to stock valuations: the commodities in which the concern deals are liable to considerable fluctuation, and, as the stock books have not been kept up to date, the quantities shown by the schedules—which are neither signed, certified, nor checked—are largely a matter of guess-work. At the dates when stock has been taken, approximate statements of the firm's position have been made up, but no accounts, accepted and signed by both partners, have ever been drawn, and the approximate statements are mostly found to be incomplete and practically useless.

A valuable monopoly of certain lines of business involving the employment of additional capital is offered to A., B. & Co., which promises very profitable results. The firm decide to apply to their friends for the financial accommodation required. To achieve this end they instruct a Chartered Accountant to investigate their accounts, and prepare what they call "a certificate of their profits for the last five years."

What, then, can be done by a Chartered Accountant in this direction under the circumstances described? Clearly, he can issue no certificate, bearing in mind what has been alreadv said with regard to the nature of such a document. Can he issue a report? No doubt he can make a report to the effect that, having considered the available information, he is unable to give any reliable statement as to the working results of the business. It is hardly necessary to point out that such a report is utterly valueless for publication, or any other purpose.

Provided, however, that time and expense be of comparatively minor importance, there may be means of arriving at a result sufficiently satisfactory for the purposes involved. If this work is to be carried out, it obviously requires an entire revision and restatement of the accounts for the period under review. In the first place the stocks call for attention. If these can be verified as to quantities and prices at the various dates, and a uniform basis of valuation applied to each stocktaking, that is one point gained.

Then as to the unreliable character of the books and accounts: this feature may arise from careless and slipshod methods and entries, rather than from absence of necessary information. Assuming the original documents and particulars relating to the entries can be relied upon, it becomes merely a matter of correcting and adjusting the books to accord therewith.

Assuming further that all matters of account, so far as the books are concerned, can be properly adjusted, and that the stocks can be uniformly valued and calculated, there remains the point of unequal periods to which the various ascertained results apply.

This is always a troublesome matter to deal with, even in undertakings where the account-keeping leaves nothing to be desired.

The reason for this is twofold:—

(1) A comparison of the results in one period with those in another cannot be made with facility or confidence.

(2) A lengthy explanation in the expert report is often required, stating the circumstances which occasion such variation.

The events which have caused these broken periods may be quite legitimate. A change in the constitution of a firm;

stoppage through fire or breakdown; strikes of operatives—these and similar events would probably account for stock being taken at times other than the ordinary periodical dates. Whatever the cause, if only to avoid misconception, it is at least advisable to indicate the fact, and in the majority of cases to state the same as concisely as circumstances permit, but clearly and definitely.

To revert to the hypothetical case. Whether a report can or cannot be made, is a matter which calls for the exercise of considerable skill and judgment on the part of the investigator; and his personal interests, if he be a man of integrity, will necessarily have to be subordinated to those of his client.

Supposing the apparently hopeless situation cited to be capable of amendment and adjustment up to a point where the investigator is able to make a report sufficiently reliable for public circulation, he still has an arduous task to fulfil—the preparation and phraseology of his report.

The statements in a professional report, in connection with public issues, should appear in the following order:—

(1) The name of the firm, person, or company, to whom the report is made.

(2) A statement that the books and accounts of the concern or concerns have been examined by the investigating accountant.

(3) The period covered by such examination.

(4) The precise nature and scope of the examination, explaining:—

(*a*) The extent to which the books and accounts supply the figures subsequently set out.

(*b*) Other sources which have been investigated, verified, and taken into account in compiling the figures.

(*c*) Any other fact or circumstance (*e.g.*, variation in periods) which it may be considered necessary or desirable to mention.

(5) Where circumstances require it, a statement as to the acceptance, or otherwise, of the stock valuations, and whether these are certified or not.

(6) A clause giving the figures ascertained in the manner previously explained, after excepting the usual outgoings and expenditure not directly chargeable against revenue, for purposes of flotation.

Before passing on to the consideration of more complex conditions affecting the preparation of a report, it appears fitting at this point to make some reference to what are known as "Excepted Items."

The outgoings and expenditure excluded from the net balances shown by the books consist of:—

(1) Interest on Capital and borrowed Money.

The reason for this is that the amounts previously paid for the service of capital belonging to the proprietors, or loans from outside sources, will, if the venture is taken up by the public, be replaced by the interest to be paid on debentures and any dividends on shares. The capital supplied by public subscription has supplanted the original capital: hence, the allocation of profit finds its proper place in the forecast of profits given in the body of the prospectus.

(2) Management Salaries.

It is usual to exclude these, because the remuneration to be subsequently paid by the company will ordinarily vary both in amount and manner of computation, as compared with the salaries in operation prior to flotation.

(3) Income Tax.

Inasmuch as the anticipated results arising through the employment of capital supplied by a public issue will vary from those which are ascertained prior thereto, the income-tax payable from time to time will likewise vary with the results.

(4) Depreciation.

A revaluation of assets, some or all of which are subject to depreciation, necessarily involves an alteration of the annual charge under this head for the future. It is usual to state an approximate sum based upon the valuation given in the prospectus, and to reserve the estimated amount of depreciation in the forecast of profits, before showing the probable surplus available for future dividends.

Where an existing limited company applies for further capital, directors' fees and debenture-holders trustees' fees, and sometimes prior preliminary expenses, are further excepted. These charges are excluded because other, and probably increased sums, will be payable out of the future results in place of former charges of this kind.

It is to be observed that the object to be attained by these adjustments is certainly not the inflation of results, but to obtain as nearly as may be a definite figure from which a deduction can be made to cover all such outgoings, calculated according to the requirements of the altered conditions.

Concise statement of facts is ordinarily esteemed a recommendation in documents setting forth trading results. But there is a limit to the usefulness of such a practice, and, instead of making the favourable impression it is supposed to create, the true investor relies more upon the genuineness of the venture, and the manner in which the facts concerning it are presented, than upon brief and oftentimes inadequate information of an indefinite character.

Having discussed the elementary features of the subject, we now turn to a consideration of certain matters bearing a more complex character. These matters immediately and directly affect the preparation of professional documents setting forth the working results of undertakings, whether the issue of capital be offered for public or private subscription.

The points about to be dealt with broadly fall under two categories :—

(1) Those of an internal character directly and exclusively affecting the particular concern.

(2) Those which are external in character and include interests or arrangements in which the particular concern has a participating, but not a controlling, power.

As to the first class, it is a frequent occurrence for certain sections or departments of a business to be sold, or specific properties made over to the purchasers, to the exclusion of other properties owned by the vendor proprietary.

For example, a firm of general merchants, besides dealing in various products and commodities, also carry on business as shipowners, forwarding agents, and warehouse owners. Each class of business is conducted as a department of the entire undertaking. It is desired to consolidate the three last-mentioned classes, and to conduct their future operations with a proprietary, consisting of the vendors and their friends, under limited liability. The business of general merchants, which is not included in the contemplated sale to the limited company, is to be continued by the original proprietors as heretofore. The vendors ask for a report as to the working results during a stated period of the three departments, which it is intended to convey to the limited company about to be formed.

Assuming the account-keeping to have been regular and accurate, and that all matters relating to the accounts as a whole are found to be in order, there will remain for consideration and decision the following, among other, points :—

(1) The various revenue expenditures are precisely ascertainable up to a certain stage. Other expenses chargeable to the business as a whole may or may not have been allocated departmentally. If such an apportionment has been made in the accounts and duly entered in the books, it will be necessary to ascertain :—

(*a*) The basis of apportionment.

(*b*) Whether that basis has been fair and sound.

(*c*) Whether the expenses are likely to be affected, and, if so, how and to what extent, by the altered conditions under which the operations of each department will be carried on.

(*d*) Whether the excluded department has materially contributed to the results obtained from, or caused substantial economy as regards expenses in, the departments about to be consolidated.

(2) If any department or departments show a loss in working, is such a result actual, or is it attributable to inaccurate apportionment of either revenue earnings or expenses?

(3) The excluded department alone may show a loss, but all the other departments show profits. The nature and cause of the loss will call for careful and critical elucidation, since losses on ventures, speculations, and deals, may easily be buried there, which ultimately turn out to be charges that should be borne, either entirely or proportionately, by one or all of the other departments.

(4) It is often found that the proprietors of a concern also own the premises in which their business is carried on. Further, in many concerns salaries are paid to partners before any division of profits is made. There is scope for considerable deception in both these directions, having as its primary object the inflation of profits. The danger arises in this way :—

In the firm's accounts the rentals charged and salaries paid may be greatly in excess of the actual accommodation and services rendered to the firm. The amount by which these charges exceed the sums to be paid in future by the company for rent and management services can *primâ facie* be legitimately added to the final balances of profit disclosed by the books of the vendor concern. This is so because such surplus comes into the category of items properly written back for flotation purposes, like interest on capital and borrowed money, income-tax, and depreciation, the reason for excepting these items having been already explained. But you will at once perceive that the surplus alluded to assumes a different character when it is found to consist of "suppressed payments" made by the partners but properly chargeable to the business, and excluded from the books of account in order to inflate the profits shown thereby, when adjusted for flotation purposes. The mere verification of receipts given by partners for salaries or rent will not reveal these irregularities, since such partners are the proper persons to give those releases from time to time.

It is not possible or desirable on this occasion to describe in detail the manipulations which can and do occur in this direction for the purpose of inflating profits, but the point is one of more than passing importance, wherever and whenever these conditions obtain.

(5) One more instance of internal intricacy which in certain cases will call for the particular attention of an investigating accountant. This is where the departmental books of account do not contain the whole of the transactions directly applying to the departments under review.

Take the case of a firm of general contractors, principally engaged in the supply of material for the construction of factories and warehouses. The owners of this business are also principal owners of three separate undertakings—namely, a stone quarry, an ironworks, and a timber business. Though nominally separate concerns, in reality these undertakings for all practical purposes are but departments of the contracting business. Many good reasons may exist for adopting this plan, one being that the names of previous owners are retained because of the connection and reputation associated therewith. Each of these concerns has separate books and accounts, but all matters connected with allowances, rebates, and the payment of ground rents,

income-tax, and salaries of the respective managers of these concerns, are dealt with in the contractor's books.

It is proposed to combine in one limited company the quarry and timber businesses, and to provide for the future incorporation of the ironworks, if desirable. The contractor's own business is to be carried on as heretofore, save that the owners of that business undertake to give a portion of their time as supervising directors to the conduct of the new company's affairs.

Here the circumstances differ from those applying to the merchant's business, with certain closely related departments. In that case the entire transactions were recorded in an unbroken series of accounts, constituting one complete record: here the material for ascertaining net working results is to be found partly in the books of the concern itself, and partly in those of another and distinct concern. In the former case the net working results are matters of apportionment and classification; in the present case they are matters of compilation and selection.

Under these circumstances the investigator occupies a position of considerable difficulty. Granting that the accounts of the concerns about to be incorporated are found accurate and regular in every way, also that the various charges omitted from the books—or possibly even revenue receipts properly attributable to the concerns—have been explained, vouched, and proved to his complete satisfaction, the investigator has to then determine in what terms he will make known the results of his examination.

Two facts at once engage his attention:—

(1) The books of the concerns do not in themselves show the actual results of working for the period involved.

(2) The results arrived at by the investigator are compiled partly from the books and partly from sources only indirectly related to those books.

How can these points be publicly communicated so as, on the one hand, to set forth the facts in a clear manner, and, on the other, to avoid misconception or unfavourable impression?

The circumstances of any particular case will obviously be the principal factors in determining the exact phrases adopted for this purpose. The following report illustrates in a collective form the points just considered:—

To the Directors of

The ——— Company, Lim.

Gentlemen,

In accordance with your instructions we have examined the books of

The ——— Stone Quarry, and of

Messrs. A. B. & Co., Timber Merchants.

for the five years ending 30th September 1906.

The profits shown by the books of the above-named undertakings require adjustment in regard to certain items of revenue expenses and/or receipts which have hitherto been dealt with in the books of the proprietors, Messrs. X., Y., Z. & Co. We have verified and made due allowance for all these items before ascertaining the figures stated below.

Here will follow any other points that require to be mentioned, and, the usual exceptions having been enumerated, the report will conclude with the ascertained figures set out in separate years.

In passing, it is to be observed that where two or more concerns are carrying on business of a distinct and unallied character the results of each should be separately stated. Where the concerns are allied—that is to say, where two or more concerns about to be amalgamated have in the past carried on the same class of business—it may be desirable for trade, or other sufficient reasons, to combine the results in each period. Where this course is adopted, however, there should always be a clause stating whether each concern has made profits in each period; and in the same way, if losses have been sustained, the fact, though not apparent in the combined total results, should be mentioned, and the causes for the same explained.

Complex as are the problems arising through the circumstances which fall under the designation of "Internal influences," those problems become more intricate when additional conditions are involved—namely, "Influences external," both in nature and effect. These are of two kinds:—

(1) The results produced by speculations, dealings, or contracts extraneous to the ordinary or customary trade carried on by a concern.

(2) The increment derived from working arrangements with allied trades for the purpose of monopolising markets or maintaining a minimum price in certain defined commodities, supplies, and specialities.

It is clear that where any or all of these conditions exist they must of necessity affect the working results. Moreover, it is also clear that such conditions arise from causes external to the ordinary business—that is to say, it may be expedient or desirable at times, but not indispensable, to speculate and deal in articles hitherto foreign to the ordinary business of a concern, and likewise to enter into working agreements with other concerns in the same line for specified periods and under approved stipulations. Such a policy is elective, but not compulsory, and an investigator has to take these points into consideration when framing his report.

Transactions outside or exceptional to the normal course of business arise in various ways:—

(*a*) A concern trading in food stuffs, considering the opportunity favourable, speculates heavily in certain other lines beyond reasonable or probable requirements. The operations result in a substantial gain, which is tres

as part of the firm's profits during the period under investigation. In a professional report upon trading results, whether published or not, should any mention be made of the fact?

Supposing the operation to have resulted in a loss and to have been treated accordingly in the books under examination, should that fact be referred to in such a report?

(*b*) A concern engaged in the timber trade has a considerable portion of its capital invested in land and industrial securities not connected with or essential to its ordinary business. The profits and/or losses arising from the purchase and/or sale of these securities, as well as the increment derived therefrom, are all treated as profits or losses of the business carried on by the firm as timber merchants. Is it necessary to classify the results and to draw attention to those facts in a professional report?

(*c*) A firm of general merchants contracted with the Government for the supply of certain commodities in which they traded during the South African war. These contracts turned out to be exceedingly advantageous, and increased the firm's profits in two succeeding years 25 per cent. and 30 per cent. respectively above the average profit yielded by the five years immediately preceding the date at which the contracts were made.

Can such gains be legitimately considered as arising in the ordinary course of business, and would the investigator be justified in so treating them for purposes of a certificate? Or would he have to allude to the circumstances in a report?

The answer to the queries raised in cases (*a*) and (*b*) is in the affirmative. Profitable speculations of an exceptional character may conceal losses or unduly inflate profits in the ordinary business transactions of a concern. At the same time, profits made in the ordinary course of business may be reduced or entirely absorbed through the losses on such speculations. In this way considerable fluctuation arises in the ordinary profits, and where it is upon the basis of profits arising out of its ordinary business that a concern is sold, the extraneous factors must be eliminated and the fact made known.

In case (*b*) there are several extraneous factors. As regards the results arising out of the purchase and sale of securities, these relate to capital, and must necessarily be eliminated from the Revenue Accounts. If it be intended that the timber business shall be carried on as such, without reference to the increment accruing from investments, or, alternatively, if it be arranged that the business and the investments are all acquired by the limited concern, in either event it will be necessary to specify the two sources (*i.e.*, the business proper and the investments) from which the results are derived, and, further, it may be necessary to show the amount produced by each source in the several periods under review.

Case (*c*) differs from (*a*) and (*b*) in this: The exceptional profit arose from transactions strictly within the province of the business; the contracts were not exceptional by nature, but the circumstances ruling at the time these contracts came into existence were so. Assuming the exceptional portion of the profit to have been utilised for capital purposes—*i.e.*, creating reserve and contingency funds—this fact effects an offset to the abnormal gain. On the other hand, where the exceptional profit is treated as part of the general profits, the fact should be alluded to in a professional report: first, because the omission to refer to the point tends to mislead an intending investor as to the normal earning capacity of the business; and, second, because it is necessary to explain the abnormal variation of profit in preceding and succeeding years.

Concerning the effect of working and pooling agreements in relation to this subject, the causes which render such arrangements expedient usually arise from special conditions of trade, and accordingly fall under the category of "external influences."

The commercial world of to-day is replete with combines of endless variety; so much so that one combine is no sooner formed than another is set up to oppose it. To purchase in large quantities reduces the average cost of commodities, while sales on a tariff basis theoretically ensures a profitable result, and often creates a monopoly. It follows from this that the results of operations carried on under such conditions are maintained just so long, and only so long, as the signatories adhere to the provisions contained in the working agreements. Let the conditions be violated and competition—"cutting prices" is the technical expression—at once comes into play.

It is clear that results, to the extent of those arising directly through the operation of working agreements, depend for their continuance not only upon contributions external to a particular concern, but also upon a strict performance of the conditions laid down, and to a renewal of the same or similar agreements at a future time. Hence these results are in some degree artificial—that is to say, they necessarily differ from what they would be if no working agreements were in force. In one case the results would be less, in another more, than that which is shown by the figures submitted for consideration and report.

An investigating accountant is thus confronted with two questions, "Are the profits shown by the books actual profits?" or "Are they to any, and what, extent artificial profits?"

Dealing with the first question, suppose it to be answered affirmatively, how is the fact of a profit in one period and a loss in another to be satisfactorily explained where the concern is enlarging the value and extent of its operations, which in themselves show profitable results?

Again, if the same question be answered in the negative,

then what reply is to be made to the second question? Granted that in some degree the results are artificial, what possible or reliable test can be applied to ascertain the extent to which this is the case? If it be said, "The results are artificial," the assertion must be proved by exact figures—an approximate computation is of no value for this purpose.

The solution of the problem is this: The figures representing results according to the books, subject to the customary adjustments, are those which should appear in the report, and in that document a statement must be made to the effect that the results of the business under investigation were obtained while it was working in conjunction with other similar concerns co-operating for trade purposes.

The clause might run thus:—

". . . . The profits stated below were made whilst "Messrs. A. B. & Co. were working in conjunction with "other concerns engaged in the same line of business."

It is rarely, if ever, that allusion is made to this point in the published reports of professional accountants, though it is more than probable that working agreements for creating a certain monopoly in trade, or for other reasons, are in operation in the majority of concerns. The absence of such allusion is partly due, no doubt, to the opinion that pooling agreements are often so numerous, and so closely resemble an ordinary business contract, that to specially mention their existence is practically unnecessary.

A further reason is one which does not readily admit of practical argument, and that is the disinclination of those associated in a pooling arrangement to have any public disclosure or indication that such exists. This view is not one to be advocated by professional accountants, because its adoption, in the majority of cases, necessitates the suppression of facts which, from the standpoint of an investor, as well as that of a conscientious investigator, are essential to the formation of a safe and reliable opinion.

While it is neither possible nor essential to lay down any invariable rule to deal with the foregoing conditions, the general principle—as well as the right and prudent course—is that any facts having a practical and material effect upon the production of results ought to be stated in a professional document, and in language which does not sacrifice clearness to conciseness.

To sum up the foregoing observations upon this subject, we finally proceed to criticise the following hypothetical illustrations:—

Illustration A.

To the Directors of

The Foreign and Colonial Export Corporation, Lim.

Gentlemen,

The books and accounts of your company have been audited continuously by us for the past twenty years.

We certify that the profits for the three years ending 31st December 1905 were as follows, namely:—

For the year ended 31st December 1903	..	£12,000
" " 1904	..	11,500
" " 1905	..	11,000
		£34,500
Yielding average for one year ..	..	£11,500

The foregoing profits are arrived at after providing for all repairs and renewals to plant and property and after making what, in our opinion, is sufficient allowance for all discounts and bad and doubtful debts, but without charging income-tax on profits and interest on mortgages and loans.

We are,

Yours faithfully,

Assured Fact & Co.

This is an example of an unqualified certificate. There is but one superfluous statement in it—viz., the words "Yielding average for one year." That statement should be made as a matter of course in the prospectus. Where the figures are stated for each year, as in this case, there is no certificate required as to what the average is. Any person of ordinary intelligence can find that for himself, or herself.

Another point is that the more consistent and professional form would be to state the items eliminated before giving the adjusted figure of profits, thus:—

"We certify that after providing, &c. . . . interest on "mortgages and loans, the profits have been as "follows:— "

It is true that nothing is said concerning depreciation. The absence of any reference to this matter may be due—

(*a*) to the fact that the company has no assets which are liable to depreciation—that is to say, it does not own any considerable plant, machinery, or leasehold properties; or

(*b*) as the certifying practitioners have also been auditors to the company, in their judgment the repairs and renewals have been so liberal as to make a specific charge for depreciation unnecessary.

Strictly speaking, however, it is always desirable to state definitely whether depreciation is or is not excluded from the figures given.

Illustration B.

To the Directors of

The X. Y. Z. Co., Lim.

Gentlemen,

We have from the 1st January 1900 examined the books and accounts of the business carried on by the firm of X. Y. Z. & Co., and we find that, after making necessary adjustments, but not charging interest on capital and

borrowed money, the annual average net profit for the six years to 31st December 1905 has been £65,000.

The net profit for the last year was £66,000.

The assets of the firm, as appearing by the adjusted Balance Sheet at 31st December 1905, were as follows:—

Cash	£40,000	
Bills Receivable	100,000	
Book Debts	250,000	
Stock in Trade	400,000	
Freehold and Leasehold Properties..	45,000	
Investments	20,000	
		855,000
Less Trade and Loan Creditors		335,000
		£520,000

Yours faithfully,

Short Detail & Co.

This report is open to objection on several grounds:—

(1) The annual average profit is stated for a period of six years. It is not stated, however, whether the results of one or more of those years are profits or losses, and, failing the separate disclosure of each year, it is uncertain whether the results are in an ascending or descending scale.

(2) It is further stated that the net profit for the last year was £66,000. Does this mean "net profit" after the usual adjustments for report purposes have been made, or that this figure represents a disposable balance after charging interest on capital, income-tax, and amounts reserved? Here is a case of indefinite statement which may cause a misleading impression.

(3) Surely a statement of assets and liabilities, adjusted or otherwise, finds its proper place in the body of the prospectus, not in a professional report. The idea sought to be conveyed is, no doubt, the percentage of profit yielded upon the capital employed in the business. That being the object, it would be advisable to mention the fact, rather than leave it for surmise.

(4) The phraseology leaves something to be desired. A better rendering of the matters dealt with in the report would be as follows:—"We have examined the books and "accounts of Messrs. X. Y. Z. & Co. from the 1st January "1900 to 31st December 1905. After making necessary "adjustments, but before charging interest on capital and "borrowed money, we find the annual average net profit "during that period has been £65,000, the net profit for "the last year, ascertained in the same manner, being "£66,000.

"Profits have been made by the firm in each of the six "years covered by this report, and the surplus assets shown "by the adjusted Balance Sheet of 31st December 1905, "after deduction of trade and loan creditors, amount to "£520,000.

"Yours faithfully,"

(5) There are, no doubt, cases where a summary of the latest Balance Sheet is serviceable as showing intending investors the financial position of the concern for which they are invited to subscribe further capital. Where, however, there is an expert valuation set out in the prospectus, the substance of that document should be adopted in compiling a *résumé* of the company's assets. If the accounts have been audited, a reference to the last Balance Sheet can suitably be made, but it is not fitting that a professional report should deal with this point under ordinary circumstances, because that document should be confined to a statement of what *profits have been made*, and the conditions under which the same have been ascertained.

Illustration C.

To the Directors of the

Industrial Development Company, Lim.

Gentlemen,

We have made an examination of the accounts of the Holdall Warehousing Co., and beg to advise you that the net earnings of the company are as follows:—

For the year 1903	£20,500
,, 1904	35,000
,, 1905	45,455
For the six months ended 30th Sept. 1906	25,000

Based on a ratio of increase of 10 per cent. over the figures of the year 1905, the net earnings for the year ending 31st March 1907 would be about £50,000.

Yours faithfully,

Optimus Forecast & Co.

This compilation is as crude as it is unsatisfactory, and is open to criticism on the following grounds:—

(*a*) The dates for each year are not given. Presumably the respective years end on 31st March.

(*b*) It is pettyfogging to "beg" people to accept a statement of facts, if they be facts.

(*c*) It is not clear whether the accounts for three years and six months were the only ones examined, or whether these were the only ones considered desirable for publication.

(*d*) What is meant by "net earnings"? Does it mean "profits," after deduction of all charges ascertained and accrued? or does it mean total rentals for use of premises, after allowing for rebates?

(*e*) A certificate or report has nothing whatever to do with eventualities. It must deal with what has been, not with what is likely or possible to be.

(*f*) What has 10 per cent., or any other percentage, to do with results still future? Such a forecast might possibly be made in the prospectus; there it would show for what it is—an estimate pure and simple—but in a professional report it is out of place, unnecessary, and misleading.

Taken as it stands, this report utterly fails to comply with the principles upon which a report or certificate should be framed, as explained in the first part of the present address.

Illustration D.

To the Directors of
The Associated Iron and Steel Products Company, Lim.

Gentlemen,

In accordance with your instructions we have examined the books and accounts of—

The Silvertown Iron Foundries, Lim., Silvertown, Birmingham;
The Empire Steel Works, Kirkgate, Leeds;
The Steel Products Co., Lim., Whitefriars, Leicester;
The Standard Smelting Works, Lim., Elswick, Newcastle;
The United Lead and Copper Co., Lim., Bedminster, Bristol;

for the five years ending 31st October 1906.

The profits shown by the books of the Silvertown Iron Foundries were made whilst they were working in conjunction with other concerns in Birmingham engaged in the same line of business. Further, the books of that company require adjustment in regard to certain items of revenue expenditure which had not been passed through those books at the date of our examination. We have verified and made allowance for these items, before ascertaining the figures stated below.

For trade reasons the combined results only are given. The accounts of each concern, however, show that substantial profits have been made by them respectively in each of the years under review.

In all cases the stocks on hand and work in progress have been taken into account at the end of each year according to the valuation certified by responsible agents and employees of the five concerns mentioned above.

Before charging interest on capital and borrowed money, depreciation of plant, machinery, and leasehold properties, income-tax, debenture-holders trustees' fees, and formation expenses, but after allowing for all maintenance charges and expenses of management, we find the combined profits of the five concerns named in the first paragraph hereof have been as follows:—

For the year ending 31st October 1902	£50,000
" " 1903	65,000
" " 1904	75,500
" " 1905	87,500
" " 1906 the profits of the Silvertown Iron Foundries, Lim., to the extent of those arising through the connection referred to above, are matter of calculation owing to returns which affect them, and cover a period to 31st December 1906. Adjusting these proportionately to the time involved, the combined profits of the five concerns amount to	95,000

We are, Gentlemen,
Yours faithfully,
Watchful, Ferret & Co.

This report certainly does not err on the side of brevity; on the contrary, at first sight it appears unusually and unnecessarily lengthy. But what are the facts, so far as can be gathered from the statements contained in the report?

(1) Five concerns are to be amalgamated, and their profits are combined in yearly totals over a period of five years.

(2) As regards the Birmingham undertaking, there has evidently been a "pooling" arrangement, the results of which are ascertained on 31st December in the last year of the period—viz., 1906.

(3) The Annual Accounts of each concern are taken on 31st October every year: accordingly in the year 1906 the profits of the Birmingham concern are necessarily approximate, because the dates to which the pooling results, and the results of the firms trading—apart from the pool—respectively apply, are not co-terminous.

(4) The reasons for this variation in dates may have arisen through some action of the other parties to the arrangement, which made it necessary to ascertain fifteen months' results instead of twelve, as in previous years. The absence of certain revenue expenditure from the principal books of the Birmingham firm would, no doubt, be due to circumstances similar to those described in the portion of this paper dealing with internal factors affecting trading results.

(5) The fact that the combined, in place of the respective, results are stated may be open to objection on the ground that any upward or downward tendency of one or more of these concerns is not apparent. In answer to such an objection, there is a definite statement in this report to the effect that "profits have been made by each concern in each year of the period." Moreover, there is a cause assigned for stating the combined instead of the detailed profits, namely, "For trade reasons." This is a matter of much greater importance than appears at first sight. A public disclosure of the results in a highly competitive trade—such as the iron and steel industry—is not a matter to be carelessly or lightly undertaken. Apart from a natural disinclination to disclose more than is necessary, there may exist a well-founded and reasonable objection to indicate to rivals—who very likely have supplemental information available—the financial results of a concern known to be conducted under special conditions, or having certain agencies and connections, the extent of which are approximately known to others carrying on rival undertakings. In this, as in so many other cases, a great deal depends upon the standing and reputation of those connected with the venture, and this circumstance applies in measure also to the professional accountant who makes the report.

The case under notice clearly shows that the object which those who framed this document had in view was to put every reader in possession of all the facts which, in their judgment, appeared to be essential to the formation of an impartial opinion upon the proposed amalgamation, in so far as a professional report is material to that end.

(6) The length of this report is unusual. To some minds the phraseology would appear cumbersome; while the casual peruser would no doubt be inclined to pronounce it unintelligible. It certainly fails to comply with the demand of those who advocate brevity and conciseness on all and every occasion. But assuming the facts to be such as have been indicated, how could they be expressed differently?

It might be argued that the exceptional circumstances could be covered by stating, "All necessary adjustments have been made before arriving at the figures given." This is true; but it is not all the truth. The term "necessary adjustments" properly covers the transfer of items omitted in one period and taken into account in the next; and the rectification of insufficient reserves for such items as Bad Debts, Discounts, Rebates, &c., is also properly covered by that term. But where, as in the case under notice, the accounts of one or more concerns are incomplete, or require amendment in material particulars, or are in any way subject to a process of calculation, approximation, and reconstruction, then, clearly, the extent of such variation ought to be declared, not necessarily in figures, but certainly by adequate explanatory statements.

The subject we have dealt with is continually increasing in importance, and none but the skilled accountant can know how great is the responsibility which rests upon him in this department of his professional work. It is possible to define on certain broad lines what work is part of an auditor's duty and what is not. But in an investigation to ascertain results no such code can be compiled. Judgment and skill, rather than theory and smartness, are the qualities required for this purpose, and these are qualities which only a long and varied practical experience can provide and impart.

There are of necessity many debatable points in the observations made, which, it is hoped, will stimulate discussion, and so demonstrate that your time and attention have not been unfruitful in listening to what has been said concerning "The Preparation of Accountants' Certificates for Purposes of Joint-stock Company Flotations."

Meetings for the ensuing Week.

Monday — INSTITUTE OF CHARTERED ACCOUNTANTS.—Parliamentary and Law Committee, at 2 p.m.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS.—Autumnal Meeting Committee, at 3.30 p.m.

Wednesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Finance Committee, 12.30; Council Meeting at 2 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Joint Stock versus Private Ownership of Business: Some Practical Differences in their Commercial Possibilities," by Mr. W. R. Hamilton, F.C.A.

LEICESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Debate at Winchester House, 1 Welford Road; 7 p.m.

CHARTERED ACCOUNTANTS' PRAYER UNION.—Address by Mr. Alfred A. Head, in Board Room B of the Centenary Hall, Bishopsgate Street, E.C., at 6.15 p.m.

Thursday—CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION.—Board of Governors' Meeting at 3 p.m.

SHEFFIELD CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Lecture, "Depreciation, with special reference to the Accounts of Local Authorities," by Mr. L. R. Dicksee, M.Com., F.C.A., at the Library, Hoole's Chambers, Bank Street, at 6 p.m.

Review.

A Handy Book on the Law of Banker and Customer.

By JAMES WALTER SMITH, Esq. (of the Inner Temple, Barrister-at-Law).

London, 1907: Effingham Wilson. Price 2s. 6d. net.

A little book such as this, which has been sold by the thousand, needs no commendation from us; nor would the most vitriolic of criticisms, we feel sure, in any way affect its well-earned reputation. We would, however, with an eye to possible and very probable further thousands, venture to suggest that, having regard to the class of reader to which it appeals, it would be as well to add a table of abbreviations—*e.g.*, B. E. A. does not convey much meaning to the average lay mind, nor do such cabalistics as Eq., Ex. Div., J.P., Q.B.D., &c. &c. The notes on *Rogers v. Whiteley*, p. 33, seem a little obscure, and with a view to quick and exact reference we should strongly urge an alphabetical arrangement of the sub-headings of the Index.

Personal.

MR. HERBERT A. COX, Chartered Accountant, has commenced practice at 52 & 53 Cheapside, London, E.C. Mr. Cox was for more than three years managing clerk to Messrs. MELLORS, BASDEN & MELLORS, 33 St. Swithin's Lane, E.C.

MESSRS. EVANS & TRIPP, Chartered Accountants, have removed from 14 Finsbury Circus to 90 Cannon Street, London, E.C.

MR. JOHN A. WALBANK, Chartered Accountant, of 34 Grey Street, Newcastle-upon-Tyne, has taken Mr. THOMAS ROBSON, Chartered Accountant, into partnership, the firm name being JOHN A. WALBANK & Co.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday Mar. 29th was 179, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 97; Deeds of Arrangement registered, 82. The respective numbers in the corresponding week of last year were: Bankruptcies, 89; Deeds of Arrangement, 90—total, 179; being no alteration. The total number of commercial failures recorded during the 13 weeks of the present year is 2,044; the total number recorded in the corresponding 13 weeks of last year was 2,239, showing a decrease of 195.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday Mar. 29th, was 161. The number in the corresponding week of last year was 165, showing a decrease of 4. The total number filed during the 13 weeks of the present year is 2,016; the total number filed in the corresponding 13 weeks of last year was 2,054, showing a decrease of 38.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday Mar. 29th amounted to £1,382,295, by way of addition to £774,652, previously issued by the same companies. The amount registered in the corresponding week of last year was £2,148,046, showing a decrease of £765,751. The total amount registered during the 13 weeks of the present year is £22,451,640 (in addition to the issues in previous years by the same companies), as compared with £22,260,132 for the corresponding 13 weeks in 1906, showing an increase of £191,508.

The Profession in Scotland.

Edinburgh Chartered Accountants' Annuity and Endowment Fund.

The twentieth annual general meeting of the contributors to this fund was held in the Accountants' Hall, 27 Queen Street, Edinburgh, on the 11th March, Mr. J. A. Robertson-Durham presiding.

The annual report and accounts, which were submitted by Mr. J. Maxtone-Graham, the collector, showed funds amounting at 31st December 1906 to £46,910 os. 3d., an increase of £2,675 os. 10d. during the year. The total number of contributors at the end of the period was 349. The receipts for the year amounted to £4,690 17s. 4d., while the claims paid amounted to £1,540, and the annuities to £302 19s. 1d.

A report by Mr. George Douglas, actuary, on the fourth investigation of the state of the fund as at 31st December 1906, was also submitted. It appeared from this report that over the five years now dealt with there had been a remarkably close agreement between the actual number of deaths among contributors and the number calculated upon according to the Carlisle Table, the figures being 20 and 20.09 respectively, while over the past fifteen years the corresponding figures had been 47 and 47.77. There had, however, been an exceptionally light mortality as regards female lives, the expected deaths since the institution of the fund having been calculated at 6.82, while the actual deaths were two only, both of which occurred in the five years under review. The reporter had, therefore, made a special reserve of £300 against the possibility of a recurrence of similar light mortality in the case of female annuitants. The rate of interest during the five years had averaged £3 19s. 7d., as compared with £3 16s. 10d. in the previous quinquennium, while the valuations proceeded on the assumption that 3 per cent. only would be earned. The report showed a surplus at the close of the period of £8,492 10s. Included in this were the half fees of new entrants to the society, amounting to £5,617 10s. In terms of the Act additional benefits were not entitled to participate in the surplus, so far as it consisted of these half fees, and this sum consequently fell to be divided among the holders of fundamental benefits. The balance of surplus, amounting to £2,874, would be available to be distributed among *all* the members and beneficiaries, including the holders of additional benefits. The reporter pointed out, however, that the profits of the past quinquennium had been swelled by one or two exceptional circumstances—such as the high rate of interest earned,

and the cancellation by death of two widows' annuities and one member's annuity—and, further, that the membership of the fund being comparatively small, fluctuation in mortality must be looked for. He, therefore, strongly recommended that only two-thirds, or £1,916 10s. of the sum of £2,874 10s., be now allocated, and that the remaining £958 be carried forward to the next investigation. The Chairman submitted a resolution giving effect to these recommendations.

Mr. C. Maitland Smith moved an amendment to the effect that the whole surplus should now be divided. He argued that, apart altogether from the half entrance fees, ample reserves had already been created by the extreme stringency of the valuation, and that, taking into account the fact that these entrance fees would be available in the very unlikely event of a deficiency, there was no possible excuse for carrying forward any sum for prudential reasons. To do so would involve a distinct injustice to all members dying before the next investigation, and in certain circumstances also to the holders of additional benefits who survived that investigation.

Mr. A. D. L. Turnbull, F.F.A., then moved an amendment to the effect that a round sum of £2,500 be divided. He was seconded by Mr. Smith, in the absence of a seconder to his own amendment. The original resolution was adopted, the amendment receiving no further support.

Scottish Insolvencies.

For the week ending 30th March the number of insolvencies reported in Scotland was 34, as compared with 27 in the corresponding week of last year. The trust deeds numbered 16, as compared with 17; the sequestrations 4, as compared with 4; and the petitions for cessio 14, as compared with 6. The total number of insolvencies for the thirteen weeks of the year is 370, as compared with 336 in the corresponding period of last year—the trust deeds numbering 179 against 151, the sequestrations 66 against 88, and the petitions for cessio 125 against 97. Of the 16 trust deeds reported during the week, 10 were granted in favour of Chartered Accountants. Three voluntary liquidations of limited liability companies were gazetted during the week, making 41 for the thirteen weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%

SWORD AND BOOK.—Though in an occasional burst of atavism an uneducated man may kiss his thumb instead of the Book, the bulk of humanity take any oath that is offered without any deep feeling of a religious sanction, or any particular fear of supernatural results. It is not altogether a matter of regret that this should be so. Our ceremony of oath-taking is really a Pagan one. Our very verb "to swear" takes us back to the pre-Christian days when man's strength and his sword were the masters, and peace and goodwill had not come to conquer the earth. To swear was to vow to Heaven upon a sword. When we offer the Book to a witness to swear upon, we really tender him, not a Christian thought, but the old Pagan oath which, splendid as it was, is no longer of force. It was a fine thing in its day when a knight vowed upon his sword "to serve the King "right well by day and night, on field, on wave, at ting, at board—"in peace, in war, in life or death; so help him Thor and Odin, "likewise *his own good sword.*" It is no use replacing the sword by the Book if you retain the spirit of the sword in the old Pagan ceremony. The word "to swear" is very closely related to the word "sword," and the very essence of swearing, deep down in the root form of the thing and the word itself, is to take one's sword in one's right hand, and fight for one's own side with an energy that will make the Pagan gods shout with joy in the Valhalla. Medical witnesses and land surveyors are real Vikings in this respect, especially, as it seems to me, those of Celtic origin.—From "The Folk-Lore of the County Court," in *The Cornhill Magazine* for April.

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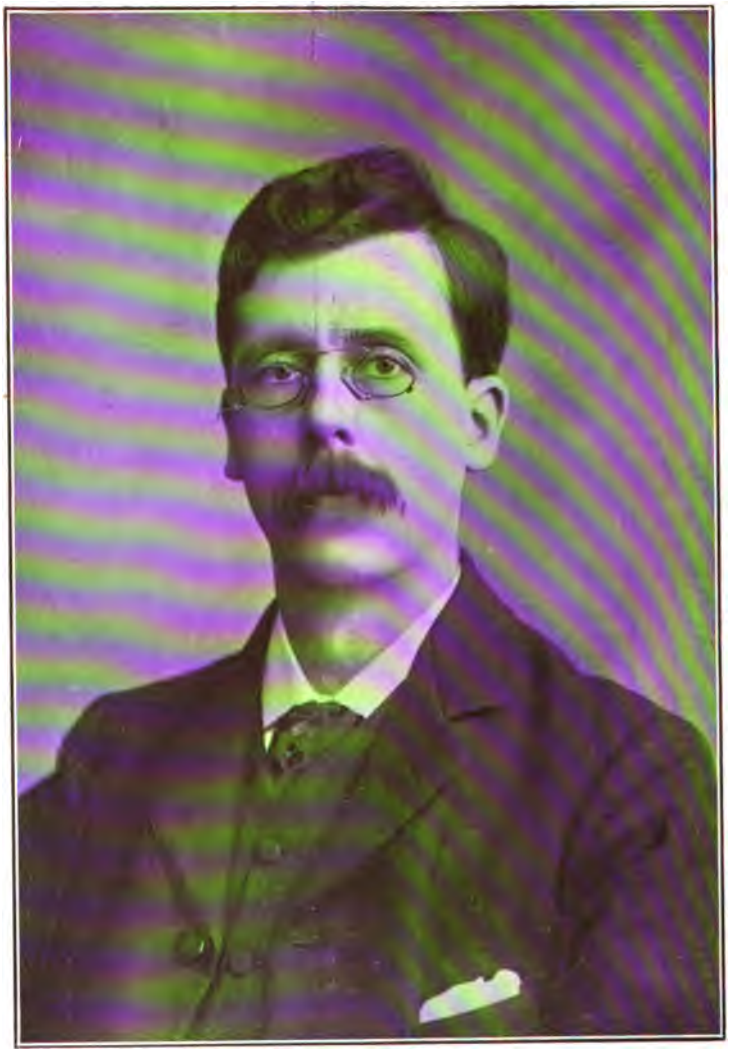

GEORGE McBAIN, Esq., C.A.

The Accountant

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EXAMINATIONS.

THE next Examinations will be held on the following dates:—

The Preliminary Examination on the 4th, 5th, and 6th June 1907.

The Intermediate Examination on the 27th and 28th May 1907.

The Final Examination on the 29th, 30th, and 31st May 1907.

Persons desiring to present themselves for examination must give notice to the Council at least thirty days before the date of the Examinations, at the same time forwarding the examination fee.

Full particulars and forms may be obtained at the office of the Institute, Moorgate Place, London, E.C., and at the various Branch Libraries.

By order of the Council,

GEORGE COLVILLE,

April 1907. *Secretary.*

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Leading Articles.

George McBain, Esq., C.A.

OUR portrait this week is that of Mr. G. MCBAIN, C.A., the newly-elected President of the Society of Accountants in Aberdeen. Mr. MCBAIN is in his forty-fifth year. He was apprenticed to Mr. JAMES TYTLER, C.A., Aberdeen, and he commenced practice as an accountant in partnership with his brother in 1888 under the style of G. & J. MCBAIN. Amongst some of the audits conducted by him are The Great North of Scotland Railway, The Aberdeen Savings Bank, The North of Scotland Canadian Mortgage Co., Lim., The Aberdeen City Police Accounts, The Aberdeen City Tramway Accounts, &c. &c.

Bankruptcy Reform.—III.

IN our issue of the 23rd ult. we drew attention to the enormous percentage of comparatively small failures on the part of aliens, and suggested that the principle of expelling undesirable aliens from the country having now been conceded, it would be desirable to extend it so as to include *inter alia* fraudulent bankrupts. In this connection it is of interest to note that, a few days after the publication of our article, Mr. Registrar LINKLATER, sitting in the London Bankruptcy Court, stated that, judging from the names in the list of cases before him, he could hardly believe that he was presiding in an English Bankruptcy Court. He drew attention to the fact that a squadron of foreign war-ships was then lying in Portsmouth Harbour, and suggested that on their departure they could be made to serve a very useful purpose. Mr. EGERTON S. GREY, the Official Receiver, who was in Court at the time, mentioned that failures of aliens were almost invariably attended by difficulty in tracing their transactions "owing to the absence of books and the frequency of fires," and that the loss to creditors occasioned by the failures of aliens was larger in proportion than that which was caused by the failure of British traders.

We are glad to find that both judicial and official views coincide with those that we have expressed, and, indeed, it seems not improbable that neither Mr. Registrar LINKLATER nor Mr. GREY would have thus expressed themselves had not our article of the 23rd ult. specially drawn their attention to the matter. However that may be, it must now, we think, be taken as being admitted beyond all question that a very considerable proportion of the losses to the trading community of this country caused by fraudulent bankrupts are caused by aliens, and might be almost immediately avoided by an extension of the Aliens Act to permit the expulsion from this country of all undischarged bankrupts who are not British subjects.

With regard to the two points mentioned by Mr. GREY, the failure of the alien bankrupt to keep proper books is the more inexcusable in that in his own country such books are compulsory, and thus he has presumably been in the habit of keeping them in the past. The British bankrupt has at least this much excuse for failure to keep proper books of account, that it is open to him to say that the law does not require them to be kept, and that he has never been in the habit of keeping them, and does not know how to do it. On the Continent, however, where books of some sort or another are invariably compulsory, it is clear that all traders must perforce learn how to keep books, even although their methods of bookkeeping may be susceptible to improvement. It may further be added that no man who has once kept books of account would ever afterwards discontinue them without dishonest intent, for the practical advantages of adequate bookkeeping are such as to be obvious to the least intelligent when once the matter has been given a fair trial.

The alleged frequency of fires on the part of alien bankrupts is a matter which is, perhaps, of even greater interest to Scotland Yard than to the Bankruptcy Court, and one which concerns insurance offices rather than accountants; but it is undoubtedly an ugly sign, and provides further evidence—if indeed such evidence be necessary—of the truth of the assertion that we made in our issue of the 23rd ult., that there is a distinct

class of alien who comes over to this country with little or no capital, fails two or three times, and then returns to his own country with a competence. If the Inspector-General in Bankruptcy would in his next Annual Report include a detailed comparison of the statistics relating to the failures of aliens with the failures of British subjects, we feel sure that the result would be most instructive, and unquestionably that Report would be one of the most interesting issued since the 1883 Act came into operation.

Company Law Reform.—II.

IN our issue of the 23rd ult. we discussed in general terms the Companies Bill which has been introduced by the Government, and has already passed its second reading in the House of Lords. In our issue of the 30th ult. we reproduced the text of this Bill as it at present stands. It is not our usual practice to discuss in detail measures the exact terms of which are obviously anything but settled, unless there is some special purpose to be served thereby. In the present instance, however, we think that the importance of the subject is in itself a sufficient reason for us to deal with the projected reforms in some detail. There is, moreover, another and perhaps more urgent reason, namely, that the Memorandum which precedes the Bill—whether inadvertently or deliberately—omits all mention of some of those points that are most especially of interest to accountants that are comprised in the Bill itself. Those, therefore, who are content to read the Memorandum and to assume offhand that it correctly summarises the contents of the Bill, will be under a complete misapprehension as to the changes that it is proposed to effect in the existing law.

In our previous article we referred to the provisions requiring prospectusless companies to file a statement practically equivalent to a prospectus, to those requiring the registration of all charges, permitting the issue of irredeemable debentures and the reissue of redeemed debentures in certain cases. We also referred briefly to the provisions requiring the filing of an annual Balance Sheet, and the filing of certain information on the part of certain foreign companies. The more important of the provisions not referred to in the Memorandum are those relating to the issue of shares at a discount and the payment of commissions, those more clearly defining the duties of auditors, and those affecting the position of receivers and managers for debenture-holders. There are also certain provisions with regard to the winding up of companies that call for careful consideration.

Dealing first with Sections 7, 8, and 9, which relate to the issue of shares at a discount, it is now provided that, where a company has continually carried on business for more than two years after the time it was entitled to commence business, a further issue of shares may be offered and issued at a discount, provided the articles of association authorise such issue, and provided the rate of discount and the amount of commission be disclosed in the prospectus, or, if there be no prospectus, in the statement filed in lieu thereof in accordance with the provisions of the Bill. This clause should prove extremely useful in practice, as enabling a company whose shares stand at a discount to issue additional capital upon equitable terms without having recourse to subterfuge. We think it well that the power

is limited to companies that have already carried on business for some reasonable time, so that, in any event, the first issue shall not be made at a discount. But bearing in mind the facilities now sought to be given by Section 9, enabling the vendor or promoter of a company to pay commissions on the placing of its shares, it is perhaps open to question whether it would not have been simpler to acknowledge the principle—recognised in most other countries—enabling a new company to *sell* its shares for what they will fetch, whether it be at a premium or at a discount. The provisions of Section 9 already referred to will no doubt go a long way towards removing the difficulties attending the underwriting of the capital of reconstructed companies; but they will, we think, require some amendment before they can be said to altogether satisfactorily answer this purpose.

Closely connected with the issue of capital at a discount is the power of paying interest out of capital during construction—a power which has always been freely granted to parliamentary companies, but which has hitherto been expressly withheld from companies registered under the Companies Acts. We must say, however, that we do not at all like the principle involved in Section 10, which throws upon the Board of Trade the responsibility of sanctioning the payment of interest in each individual case. It thus remains to be seen whether the clause, if enacted, will ever become operative, or whether it will be stifled by official requirements; while at the same time the effect of such sanction by a Government Department may, in practice, be found to give the impression that the payment of interest during construction is *per se* financially sound.

Clause 12 throws upon any person obtaining an order for the appointment of a receiver and manager of the property of a company the duty of notifying the Registrar of Joint Stock Companies of such appointment, under a penalty of five pounds for every day during which the default continues. One can understand the reasonableness of the appointment of a receiver and manager being filed when the appointment is made under powers contained in the debenture or charge given by the company, but it is not altogether clear why the plaintiff in a Chancery action should be compelled to advise a Government Department of the success attending his application to the Court. *Primâ facie* it would seem more convenient that interested parties should search the Court records for such information; or, failing that, the clause should provide for the Registrar of Joint Stock Companies being officially advised of any orders made by the Court on applications for the appointment of receivers and managers.

Another clause that will require very careful consideration—as affecting the position of receivers and managers who are officers of the Court—is No. 41, which requires them, at least once in every half-year while they remain in possession, to file with the Registrar of Joint Stock Companies an abstract in the form prescribed of their receipts and payments, or, in default, to incur a fine not exceeding fifty pounds. We are altogether at a loss to understand why an officer of the Court, who accounts to the Court, should be required to account also to the Registrar of Joint Stock Companies; but we can, of course, perceive the advantage of requiring receivers and managers appointed under powers contained in the debenture itself to file accounts of this description, as otherwise there is practically no means by

which interested parties can ascertain what is being done by those in possession of the assets. It is, however, important that the position of receivers and managers appointed by the Court should be duly recognised, and that their position should not be made unduly onerous or vexatious in order to satisfy the curiosity of persons to whom the receiver is in no way accountable.

Sections 21 to 24, which deal with the position of auditors, and other matters relating to the accounts of a company, are of sufficient importance to call for a separate article for their adequate consideration. We pass on, therefore, to Sections 25 to 27, which insist (under a penalty not exceeding fifty pounds incurred by any director or officer of the company knowingly a party to the default) upon every company holding a general meeting at least once in every calendar year, and not more than fifteen months after the holding of the last preceding general meeting; which gives the Court power to direct the calling of a general meeting on the application of any one member of a company; and provides that, unless the articles otherwise prescribe, any person entitled to vote at a general meeting may demand a poll. These provisions are, we think, excellent in every way, save with regard to the clause rendering officers of a company liable to a penalty who are "knowingly a party" to default in the calling of an annual general meeting. Inasmuch as no officers of a company other than the board have power to convene a general meeting under any ordinary articles of association, it would be manifestly unfair to inflict a penalty upon officers merely because knowledge of default could be imputed to them. The clause, as it stands, thus needs amendment, in the interests alike of secretaries and of auditors, both of whom are, of course, officers of a company, and are powerless to compel directors to call a general meeting at the proper time. In this connection we may mention that we think the present opportunity might with advantage be taken to confer upon all auditors the power, possessed by auditors under the Railway Companies Act of 1867, of circularising the shareholders at the expense of the company in cases where they think fit. This power would entirely remove the objection that has been put forward in some quarters to the auditors' report not being printed at the foot of the published Balance Sheet. That, however, is a matter that can be more conveniently discussed at length when we come to consider those clauses of the Bill which specially affect the duties of auditors as such.

Sections 28 to 32, which amend the law with regard to the winding up of companies, are by no means sensational in character. The only one, indeed, that seems to call for special mention is Clause 32, which enables the Court, on the application of the liquidator or of any interested party, to declare the dissolution of a company void at any time within nine months from the date of such dissolution. Such a clause may, in some cases, prove of value to creditors, who by that means may secure a distribution of assets unexpectedly rendered available therefor which would otherwise fall to the Crown; but we are not at all sure that this is the most desirable way of dealing with the situation. Bearing in mind the large number of companies that pass into voluntary liquidation each year, and are quietly wound up by directors, or lay secretaries, with the express object of defeating any subsequent inquiry into the circumstances attending their formation, we think that some procedure analogous to that

obtaining in bankruptcy would be preferable. For instance, we think it would be better if a company, once registered, were never dissolved; but that, upon the liquidator for the time being obtaining his release, the appointment as liquidator should revert *pro formâ* to the Controller in Companies Liquidation, who from that time onwards would possess all the powers of a liquidator, and thus be able to deal with any points that might arise at any distance of time after the commencement of the liquidation.

Section 37 attempts to define a private company as one consisting of not more than thirty members, which by its articles restricts the right to transfer its shares, and prohibits the increase of the number of its members to more than thirty and also any invitation to the public to subscribe for any of its shares or debentures. Unless such a company be required by its name to clearly proclaim that it is a private company, our own view is that it would be a great mistake upon the part of the Legislature to grant any special privileges to a limited liability company merely because of the small number of its members. Such a provision directly lends itself to the formation of subsidiary companies whose capital is exclusively held by public companies, but which, by reason of the small number of members nominally upon their registers, are exempted from those safeguards which are regarded as absolutely necessary in respect of other similar undertakings. We have no hesitation in saying that Clause 37 as it stands would open the door wide to wholesale evasions of the salutary provisions contained in the Bill now before us.

Reduction of a Company's Capital.—II.

IN continuation of the article which appeared under the above heading in our last issue, we propose to consider one or two of the more distinctive cases of reduction of capital, and to point out the effect of the statutory provisions on the financial position of the company, as shown by its books of account.

Dealing first of all with the provisions of Section 3 of the Companies Act, 1880, enabling a company to pay off paid-up capital out of accumulated profits, let us suppose in the first instance a position of affairs such as that indicated by the following Balance Sheet:—

BALANCE SHEET, 31ST DECEMBER 1906.

Liabilities.	£	*Assets.*	£
Capital (100,000 Shares of £1 each)	100,000	Fixed Assets	80,000
Liabilities	50,000	Floating Assets	60,000
Profit and Loss Account	25,000	Cash..	35,000
	£175,000		£175,000

In the above *pro formâ* example there is, apparently, a profit of £25,000 available for distribution, and ample cash resources to enable such a distribution to be made. It would, therefore, be perfectly legitimate for the company, if it so thought fit, to pay a dividend of 25 per cent. on its paid-up capital. Assuming, however, that it prefers to take advantage of the provisions of Section 3 of the 1880 Act, it would be competent for the company instead to apply £25,000 of its cash resources towards a return of 5s. per share on its paid-up capital, and assuming that such an arrangement were carried into effect, the position of affairs would apparently be as follows:—

BALANCE SHEET, 31ST DECEMBER 1906.

Liabilities.	£	*Assets.*	£
Capital (100,000 Shares of 15s. each)	75,000	Fixed Assets	80,000
Liabilities	50,000	Floating Assets	60,000
Profit and Loss Account	25,000	Cash	10,000
	£150,000		£150,000

The peculiarity of the above Balance Sheet is that, although advantage has been taken of

the section before referred to, the operation does not appear to have had the effect of in any way dealing with the balance of £25,000 standing to the credit of Profit and Loss Account, and some commentators have waxed humorous over what they regard as conclusive proof of the imbecility of the Legislature in passing the Act of 1880 in its present form. Among others Lord Justice BUCKLEY, in his well-known "Law and Practice under the Companies Acts," has suggested that it would be competent for a company to indefinitely repeat the process of applying its accumulated profit to the payment off of capital (if necessary presumably borrowing money in order to supply itself with the requisite funds) until at length the time had been reached that the whole of the original paid-up capital had been returned, when there would still remain a credit balance on Profit and Loss Account available for distribution entirely unaffected by these remarkable proceedings. We do not suggest for one moment that his Lordship is not far more competent than ourselves to interpret the meaning of any statutory provision, and there can, we think, be little doubt that the Act of 1880, like certain other measures, was drafted with a considerable amount of looseness. At the same time we are unwilling to believe that the Legislature of that day was quite so imbecile as some of its critics would wish to suggest. We think rather that it was taken for granted that, on the provisions of Section 3 being put into force, an amount equal to the amount paid to the shareholders by way of a return of paid-up capital should be debited to Profit and Loss Account and credited to a Capital Reserve Account, in which event the Balance Sheet would assume the following form :—

BALANCE SHEET, 31ST DECEMBER 1906.

Liabilities	£	*Assets.*	£
Capital (100,000 Shares of 15s. each)	75,000	Fixed Assets	80,000
Liabilities	50,000	Floating Assets	60,000
Capital Reserve Account	25,000	Cash..	10,000
	£150,000		£150,000

An obvious advantage to the company of applying its available resources towards a return of paid-up capital instead of applying them towards the payment of a dividend is that without incurring any additional expenditure, and without depriving shareholders of money actually available for distribution, the company reduces the amount upon which in future it will be expected to pay dividends. Thus, in the case already cited, after the reduction of capital has been effected an annual profit of £7,500 would suffice to pay a dividend of 10 per cent. per annum, instead of 7½ per cent. per annum only; and thus, assuming the prosperity of the undertaking can be maintained, the market value of its shares would be relatively improved. That is to say, assuming the £1 reduced shares originally stood at £2 per share, the reduced 15s. shares would stand at considerably more than 30s. per share, and would, indeed, bearing in mind the enhanced rate of dividend and the existence of a capital reserve, probably stand at more than £2 per share, although nominally only 15s. per share paid up. A further advantage to be derived from the employment of Section 3 would be that the company might reserve the right, in case of need, of again calling up the 5s. per share returned out of profits; thus in effect enabling it to obtain all the practical advantages of a liberal immediate return to shareholders, with the latent advantage of being able to call upon the shareholders to refund that

return at any future time, should altered circumstances render that course desirable.

The only other form of reduction of capital which it appears to us may with advantage be explained with the aid of *pro formâ* examples is the more customary provision enabling a company to cancel or write off paid-up capital as being lost, or unrepresented by available assets. In this connection let us suppose a position of affairs such as that indicated by the following Balance Sheet:—

BALANCE SHEET, 31ST DECEMBER 1906.

Liabilities.	£	*Assets.*	£
Capital (100,000 Shares of £1 each)	100,000	Fixed Assets	100,000
Liabilities	50,000	Floating Assets	29,000
		Cash..	1 000
		Profit and Loss Account	20,000
	£150,000		£150,000

There is here an adverse balance on Profit and Loss Account of £20,000, and although it is by no means certain that future profits cannot be applied towards the payment of dividends until this loss has first been made good out of such future profits, there can be little doubt that the credit of a company adopting such a course would be adversely affected, and that the market price of its shares would be unduly depressed through a fear that such a hand-to-mouth policy could of necessity only be continued for a comparatively short time. It may well be therefore, that, under such circumstances, the company would be desirous of carrying through a scheme for the reduction of its capital, and if at the same time an inquiry into the value of its assets disclosed the fact that the current value of its fixed assets was but £80,000, and the realisable value of its floating assets but £19,000, the expediency of carrying through such a scheme would, of course, be further emphasised.

In such a case there could be no difficulty in satisfying the Court that out of the company's paid-up capital of £100,000, £50,000 had been lost, or was unrepresented by available assets; and thus, subject to the usual formalities, a scheme would doubtless be sanctioned which, when carried through, would have the effect disclosed by the following Balance Sheet:—

BALANCE SHEET, 31ST DECEMBER 1906.

Liabilities.	£	*Assets.*	£
Capital (£100,000 Shares of 10s. each)	50,000	Fixed Assets	80,000
Liabilities	50,000	Floating Assets	19,000
		Cash	1,000
	£100,000		£100,000

The financial position of the company as here disclosed is certainly in every way more favourable than before the scheme for reduction had been embarked upon. The company's assets now stand in its books at a reasonable valuation; any future profits will be at once available for distribution, and when so distributed will be divided over a smaller paid-up capital, and will thus represent a proportionately higher rate of dividend. It is reasonable to suppose, therefore, that the immediate effect of the reduction will be to increase the market price of the shares, although their nominal value has been reduced from £1 to 10s. each.

We have intentionally simplified the foregoing example by omitting all reference to a Reserve Fund of any form. Ordinarily speaking, it may, we think, be safely taken that while there is an adverse balance on Profit and Loss Account there can be no such thing as a Reserve Fund representing an accumulation of divisible profits which it has been deemed desirable to set aside for future contingencies. The incurring of a loss on Revenue Account is one of the contingencies against which such a Reserve Fund is provided, and its effect is *pro*

tanto and automatically to reduce—and, if necessary, extinguish—the Reserve Fund. Thus it is impossible for a company to have at the same time a debit balance on Profit and Loss Account and a credit balance on a General Reserve Fund. Sometimes, however, Reserve Funds are accumulated under such circumstances that they represent rather a Capital than a Revenue item; as, for instance, when they have been built up out of premiums received on shares. It was decided in *Hoare's* case that a Capital Reserve of this description need not be applied towards reducing revenue losses before the company applied to the Court for its sanction to a scheme for the reduction of capital. But, under ordinary circumstances, we think it may safely be stated that as the General Reserve Fund must be applied automatically towards making good losses on Revenue Account, so the Capital Reserve Fund must be applied automatically towards making good losses on Capital Account before it could be truthfully said that the existing paid-up capital is unrepresented by available assets. As the capital assets shrink in value the position would normally be that in the first instance there would be no assets left to represent the Capital Reserve, which would naturally then drop out of existence; and not until that result had been brought about could it, we think, be truthfully said that the capital assets owned by the company were not of sufficient value to represent its paid-up capital. *Hoare's* case was peculiar, in that the object of the application was to enable the vendors to take upon themselves a loss which, but for the passing of some such scheme, would necessarily fall upon those who had applied for, or had acquired, shares for cash. In such a case, very naturally the Courts would, if necessary, even strain a point to regularise such a proceeding. Under normal circumstances, however, we feel convinced that the attitude of the Court would be determined by the principles that we have laid down in this article, and that *Hoare's* case would not be allowed to be quoted as a precedent unless all the circumstances were similar.

In our next article we propose to consider the effect of reduction schemes in cases where there is more than one class of share capital, and where, therefore, the loss arising from the reduction is not borne *pro ratâ* by all the shareholders of the company.

Weekly Notes.

One-Man Companies. *The Financial News* states that it is the general opinion in the City that no new Companies Bill will be satisfactory which does not deal with the great and growing evil of one-man companies, the abuses of which have long been recognised, but have so far not engaged serious attention. For what it is worth, it may be pointed out that so far as it goes the new Companies Bill, by conferring special privileges to so-called private companies, is really going somewhat out of its way to encourage the particular class of undertaking that attracts the hostility of our contemporary—and also, for that matter, of most of the trading community.

Government Officials as Company Promoters. Our contemporary *The Financial News* in a recent issue draws attention to a prospectus that has been issued by the Civil Service New Departure Building Company, Lim., the board of which is stated to consist of three members of His Majesty's Office of Works, the Consulting Actuary the Actuarial Advisor of the Board of Trade, and the Auditor a member of the Bankruptcy Department of the Board of Trade. The conclusion that might readily be gathered from this document is that it is an official concern, sanctioned and approved by the Government Departments mentioned, but whether or not this is the case, the desirability of allowing civil servants to accept director-

ships and other appointments under limited companies, and to allow themselves to be advertised as such, with their official designations attached, may well be questioned. Only the other day the Secretary of State for the Colonies issued a circular letter deprecating the association of ex-Colonial-Governors with undertakings formed to exploit the natural resources of the countries to which they had recently been officially attached. Whatever objection may be raised to such connection between companies and ex-Governors applies with tenfold force to those who are at the present time drawing full pay as Government officials.

The Cardiff Tramway Finances.

In our issue of the 9th ult., we drew attention to the report of Mr. John Allcock, F.S.A.A., the new Cardiff City Treasurer, in which attention was drawn to the inadequate provision that had been made in the past for depreciation of assets in the Municipal Tramways Department—a deficiency which would have to be made good by the setting aside annually of a sum of £5,500 for the future. We also mentioned that this report had been referred to the Tramways Manager and City Engineer for their consideration. We understand that Mr. Allcock's report and recommendation have now been adopted without any qualification or amendment, and that it has been resolved to include the sum of £5,500 as the first instalment of the necessary Depreciation Fund in the estimates for the year 1907-8. It is satisfactory to know that the Council has duly appreciated its responsibility to now place the affairs of its Tramways Department upon a sound financial basis. It is important to bear in mind, however, that by its present attitude it admits that the profits that have been shown on its past annual accounts have been entirely fictitious; and it must not be overlooked that the question of Depreciation in connection with the Electric Lighting Department has yet to be considered and dealt with upon the same sound lines.

Public Examinations in Bankruptcy.

The Rochdale Observer of the 23rd ult. devotes nearly two columns to a verbatim report of the public examination of one Brooks, trading as Watkinson & Co., before Mr. Registrar Worth at the Bankruptcy Court at Rochdale. From the account before us it appears that the bankrupt, on his own admission, obtained credit by submitting to one of his creditors a Balance Sheet which was admittedly incomplete, and in which his financial position was misrepresented in material particulars. In reply to a question asked by the Registrar as to whether the witness knew that he was practically obtaining money by false pretences, the witness replied in the affirmative. The precise details of this case are of no general interest. It occurs to us, however, to inquire whether it is the function of Registrars presiding at public examinations in bankruptcy to endeavour to secure from the witness evidence that might be used against him at a subsequent prosecution. We have always understood that a bankrupt could not be required to answer questions when the answers might tend to incriminate him. If our supposition is correct, it necessarily follows that the bankrupt should be cautioned before an incriminating question is put to him. According to the report before us, no such caution appears to have been administered, and, if the report is correct, the bankrupt would appear to have good ground for complaint as to the manner in which the public examination was conducted. We need hardly say that we have no sympathy whatever with persons who obtain credit by means of misrepresentation, but that, of course, has nothing to do with the matter under discussion.

A Cure for Municipal Extravagance.

Under the above heading, Mr. Harvey Preen, F.C.A., has contributed an interesting letter to *The Times*, which we reproduce in another column of the present issue. Mr. Preen, we need perhaps hardly remind our readers, has for some little time past been responsible for the finances of the City Corporation, which, under his guidance, have assumed a most satisfactory position. He is thus able to speak from experience on the subjects of municipal finance and the control of municipal expenditure. Those who have studied the subject will doubtless agree with him that expenditure can best be controlled by the application of a system of percentages and comparisons over several years. It may be added, however, that perhaps the most serious bar to economy is the practice so generally obtaining of regarding it as a reproach, rather than as matter for commendation, that the original estimates exceeded the expenditure subsequently found to be necessary. Wherever heads of departments make it a point of honour to spend every farthing that has been voted to them during the current period, it must necessarily follow that at least a substantial portion of such expenditure is unnecessary, and therefore wasteful. In

this respect there is probably no greater sinner than the central Government. It is an open secret that in all departments of the public service expenditure upon a most reckless scale is undertaken at the close of each fiscal year, because it is considered that unless the sums voted are expended, great difficulty will be experienced in securing a vote for an equal amount for the ensuing year. If unexpended balances could be carried forward—being, of course, duly noted on the estimates for the ensuing period—this scramble to spend money at the last moment, merely for the sake of spending it, would be effectively discouraged.

The Council of the Law Society. The current issue of *The Law Times* states that there is a strong feeling among many solicitors that the constitution of the Council of the Law Society has been far from satisfactory, and that the introduction of new blood would certainly tend to bring the Council more into line with the profession at large. Our contemporary accordingly favours a suggested change, which will be brought forward at the next meeting of the Society in the form of a motion to provide that the ten members of the Council of forty who retire in each year shall not be eligible for re-election for a year after their retirement. No self-elected body, or any body that practically occupies that position, can, our contemporary thinks, voice the opinion of any profession, and it is pointed out that it is because of the fact that the General Council of the Bar is elected by and is truly representative of the whole of the profession that its opinions carry the weight that they undoubtedly do. We are not altogether sure that the General Council of the Bar is regarded as a model institution by all barristers; but, be this as it may, there can be little doubt that the Council of the Law Society has lost much of its hold upon the rank and file by its attitude towards the motion for the appointment of a committee to inquire into the matter of Solicitors' Accounts and Audit; while it is notorious that although the Council is representative of the respectability and learning of the lower branch of the legal profession, it can hardly be regarded as representative of that profession in its most up-to-date developments. The rule that retiring members should not be immediately eligible for re-election has been found to work well among other bodies—as, for example, the Glasgow Institute of Chartered Accountants—securing as it does a continual accession of new blood, while enabling useless members to be dropped out without hurting anyone's feelings.

The Court of Appeal Bill. In view of the handsome surplus that the Chancellor of the Exchequer will have to deal with in the course of the next few days, it is to be hoped that the claims of litigants awaiting justice will no longer be overlooked, and that additional Judges will be appointed both in the Court of Appeal and in the King's Bench Division, thus permitting the Lord Chancellor to withdraw his Court of Appeal Bill, which has been condemned in all quarters as a wholly inadequate attempt to deal with the present congested state of the Courts. If the circuit system could be reformed, so that the time wasted by Judges in attending assizes at remote country towns where no prisoners await trial could be rendered available for the hearing of cases urgently awaiting decision in London, it is probable that no addition to the present judicial staff would be necessary; but, as it seems hopeless to expect any reform of the circuit system, the only alternative would appear to be to appoint additional Judges. Certainly the number of Judges has not, during the past twenty years, kept pace with the increase of population, and thus a couple of fresh appointments would seem to be entirely reasonable, more especially as there is at the present time no financial difficulty to be faced in connection with the matter.

District Auditors and Surcharges. Mr. F. M. Adams, the District Auditor appointed to audit the accounts of the Wallasey Council, appears to have been by no means satisfied with the preparations that had been made for his coming. He reports that the accommodation provided by the Council was insufficient and inconvenient, and expresses the hope that on future occasions they will be able to give him more room, in a position nearer to the Council offices. With regard to the accounts themselves, he complains of the way the General, Gas and Water, Ferries, and Electricity Accounts are kept together, stating that in one instance a great waste of time in making up and auditing the accounts is caused, while another method of accounting makes audit next to impossible. Whether or not these difficulties had the effect of increasing the critical sense of Mr. Adams we cannot say, but the result of his audit for the year ended March 1906 (which, by the way, is only just concluded) has been to surcharge various members of the Council with a total sum amounting to £132 19s. 3d., mostly for expenses attending various conferences and meetings—as, for example, the annual meeting of the Institute of Municipal Treasurers and Accountants, the Municipal Electrical Conference, and the like.

The Central Insurance Company, Lim. At an extraordinary general meeting of the Central Insurance Company, Lim., held at the Cannon Street Hotel on the 4th inst., the resolution passed at a meeting held on the 15th ult. was confirmed: That the company be wound up voluntarily, and that its general manager be appointed liquidator for the purpose of such winding-up. A further resolution was passed confirming an agreement entered into by the company on the 5th ult. for the sale of its undertaking and assets to the London and Liverpool and Globe Insurance Company.

Tube Ring. Birmingham, which has been the scene of many attempted price combinations, is to witness another experiment on discriminative lines, for it is reported that an association of close-joint tube makers in that city and district has been formed for the purpose of regulating prices. At present the scheme of operations is very meek and mild, but it will be interesting to note whether this new ring meets with any better fate than its predecessors.

Trustee Investment. The Lords Commissioners of the Treasury have given notice that the provisions of the Colonial Stock Act, 1900, have been complied with in respect of Western Australia Three and a-Half per cent. Inscribed Stock. It should be noted that the restrictions mentioned in Section 2 Sub-section 2, of the Trustee Act, 1893, apply to this stock. Similar stocks of South Australia and New South Wales have recently been brought within the same privileged area.

Decisions Reversed. Our readers should note that the decision in the case of *Oppenheimer v. Frazer & Wyatt*, which gave rise to some recent comments on the Factors Act, 1889, has been reversed on appeal. The decision of Mr. Justice Bigham in *Re Button*, to which we drew attention recently, has also been upset by the Court of Appeal.

Marine Insurance. Probably most people are well aware that an owner is said to be his own insurer for the difference between the value of the property and the amount of the policy. In marine insurance, therefore, he would be entitled to participate proportionately in the value of any salvage remaining after a total loss. This is well illustrated in the case of *The Commonwealth*, where a ship valued at £1,350, insured for £1,000, was sunk in collision. The underwriters paid the £1,000 and brought an action against the owners of the other vessel, recovering £1,000, which was stated to be the value of the ship. Then came a disagreement as to whether or no the underwriters were entitled to this sum in full. The Court of Appeal decided that, as the owner was his own insurer to the extent of £350, he was entitled to $\frac{350}{1350}$ of the amount recovered by the underwriters. It should be remembered that, according to Section 81 of the Marine Insurance Act, the valuation in the policy is conclusive as between parties.

A Winding-up Point. An interesting company case came before Mr. Justice Parker recently (*Re Hermann Lichtenstein & Co.*). The X company was registered on 29th December 1905. Vendor was paid partly in shares and partly in debentures. Company failed to pay interest on debentures due 29th September 1906. In October 1906 an execution was levied, and on November 1st in that year the debenture-holders appointed A. B. receiver and manager. Company went into voluntary liquidation on 9th November 1906, and A. B. was also appointed liquidator. Liquidator estimated that after paying debenture-holders and preferential creditors "there would be a small deficit." Petition presented by an unsecured creditor for a compulsory order. Total unsecured creditors, £6,000. Creditors to extent of £2,700 were willing that A. B. should continue the voluntary winding-up, but they did not oppose the application for compulsory order. Creditors representing £300 objected to A. B. continuing. For the debenture-holders it was argued that there was no right in the unsecured creditors to a compulsory winding-up after voluntary liquidation had commenced, unless it could be shown that the unofficial realisation prejudiced the creditors. It was held, however (following *Re Criggleston Coal Company, Lim.*), that an unsecured creditor was entitled to have a compulsory winding-up on showing that there was a *primâ facie* case for inquiry, and without proving that the voluntary liquidation would prejudice him.

Limited Partnership. The General Council of the Bar, in the annual statement 1906-7, report as follows upon the Limited Partnerships Bill (1906):—

(1) Drafters of Bill do not seem to have sufficiently considered its provisions in connection with the

provisions of the Partnership Act, 1890, and of the Bankruptcy Acts.

(2) The effect of Section 6 of the Bill is to repeal Section 2 (3) (*d*) of the Partnership Act, 1890, while it contains no provision for the duration of the limited partnership as required by another section of the same Bill, or that the contract should be in writing.

(3) Section 8 of the Bill should be amended so as to admit of the usual expulsion clause common to most partnership deeds.

Deeds of Arrangement. Important Case.

Those of our readers whose practice embraces insolvency work should not omit to note the decision in *Re Saumarez; ex parte The Trustee.* The facts, as reported, were:—In October 1905 A. called a meeting of pressing creditors, when it was agreed that no proceedings should be taken in consideration of certain assets being handed over for the benefit of these creditors. On 15th January 1906 A. accordingly executed a deed of arrangement, which was binding only on the creditors named therein who executed it. The debts due to creditors under the deed amounted to £6,056 17s. 7d., and outside creditors' claims were £60 12s. Receiving order made 20th September 1906. Adjudication 24th September 1906. Trustee in bankruptcy applied to set aside deed of arrangement for benefit of creditors as void for want of registration. It was held that the deed was not an assignment for the benefit of creditors generally, and did not require registration.

Capital Issues.

The following table from *The Financial Times* shows the new capital issues for last month contrasted with the previous month:—

Description	March 1907		February 1907	
	No. of New Issues	Share and Debenture Capital or Amount of Loans	No. of New Issues	Share and Debenture Capital or Amount of Loans
		£		£
Public Loans	4	27,802,000	3	1,517,000
Financial	..	..	3	1,625,000
Commercial & Miscellaneous	10	2,000,000	8	1,611,000
New Issues by Existing Companies	28	3,420,256	24	15,876,000
Mining	3	540,000	1	32,500
Total	45	£33,762,256	39	£20,661,500

The Japanese issue of £23,000,000 accounts for the greater portion of the increase in public loans, and so far as the remaining items are concerned there does not seem to be much that is encouraging from the industrial point of view. It is very interesting to note that the total issues for the March quarter, amounting to £64,518,756 are, with the exception of 1902, the highest during the last ten years.

The Audit of Local Authorities' Accounts.

A *Times* correspondent, signing himself "Spectator," provides an interesting contribution to the present discussion as to the best means of auditing the accounts of local authorities, although we cannot say that we agree with all his conclusions. "Spectator" admits that the audit by District Auditors attached to the Local Government Board is unsatisfactory, because the District Auditors are not always the best qualified persons, and it is quite possible sometimes that they do not "carry quite big enough guns." His suggestion is that a page should be taken out of the Imperial Accounts Book, and that a Comptroller and Auditor-General should be appointed, responsible direct to Parliament, and not to any Government Department; and that, while he should have access to expert advice in the shape of a Chartered Accountant or Chartered Accountants, his staff should consist of intelligent men of the same class as the staff of the Comptroller and Auditor-General at the Embankment, who would soon acquire the necessary knowledge to enable the District Auditor-General to report to Parliament with authority. If the District Auditor-General were selected from among the ranks of those really competent to audit the accounts of local authorities, and if he were given a free hand to provide himself with a competent staff unfettered by Civil Service rules, the plan might work excellently in practice, although we must confess that for our own part we think it would only be a question of time before the taint of officialism settled down upon them all, and they grew narrow-minded by reason of the necessarily limited scope of the class of work they were called upon to perform. Inasmuch, however, as there is not the least chance of such an official, if appointed, being selected from among the ranks of competent men, and still less chance of his being permitted to appoint his own assistants, "Spectator's" scheme is, we think, one that must be condemned by all who are desirous of securing a really efficient audit for the accounts of local authorities. A Department so constituted might doubtless be trusted to scrutinise accounts for illegalities, and to perform much useful work in that direction: but it requires someone in much closer touch with actual business affairs to even understand what a real audit should consist of. In this connection, it may, perhaps,

be pointed out that much of the mal-administration in connection with the South African War for which the War Office has been held responsible was caused by the financial advisers appointed to assist the officers in the field proving absolute failures. These financial advisers were civilians; but they were not, as doubtless many have supposed, practical business men selected by reason of their experience of men and affairs, but officials attached for the most part to the Treasury Department, which is supposed to represent the cream of the Civil Service. For obvious reasons, however, competitive examinations cannot take the place of actual experience.

Reputed Ownership. We did not doubt that the decision of Mr. Justice Bigham in *Re Button* would be reversed on appeal, but it is satisfactory to note—as we were able to do in our Current Law last week—that the appeal was so expedited as to prevent any serious hardship resulting from his Lordship's interpretation of Section 44 of the Bankruptcy Act, 1883. The doctrine of reputed ownership amounts in effect to a declaration that it shall not be open to one dealing with a customer of known financial weakness to "sit upon the fence," and elect, after bankruptcy, to declare that he has not sold goods to the bankrupt which have been so placed at the order and disposition of the bankrupt as to lead others to suppose that they had been sold, and thus constituted part of the assets of the bankrupt's estate. If this view be the correct one, it necessarily follows that where assets are held to be part of a bankrupt's estate, by virtue of the operation of Section 44, they must be treated as having been purchased by the bankrupt, thus giving their true owner a right of proof in respect of their value. Mr. Justice Bigham appears rather to have treated the matter as though the true owner had been held to be a party to some sort of conspiracy to defraud creditors generally, and was to be punished as such by the loss of all rights; but the Court of Appeal has decided that the effect of the section is not so severe as this, and has accordingly decided in favour of the true owner to the extent of allowing him to prove against the estate for loss sustained by him as a result of the operation of the section.

Libel Legislation Wanted in the States. It is reported that an "American Promoters' League" has been formed in New York for the purpose of protecting officers of limited companies from the attacks of a certain class of blackmail which takes the form of scurrilous newspapers devoted to abuse and vilification. Demand for money is said to be made, and, failing compliance, copies of a broadsheet are circulated among the shareholders, &c., containing statements well calculated to injure the unfortunate concern. The amount thus extracted from brokers and promoters is said to reach three million dollars per annum! It is said that an attempt will be made to stop the postal facilities being extended to the publishers of these periodicals, which have no genuine circulation, and which exist merely for the objectionable purpose we have indicated.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Surveyors and Balance Sheets.

(*To the Editor of The Accountant.*)

SIR,—With reference to your Note in last week's issue relating to my letter on this subject, I beg to send herewith cutting from *The Standard*, which may perhaps interest your readers:—

ARE RETURNS KEPT SECRET?

SIR,—Are income-tax returns and the accounts sometimes exacted in connection therewith held confidential? A Somerset House official will say "Yes" with a very big Y; but "I ha' me doots." Taxpayers are told that if they do not care to send their returns to the Local Surveyor of Taxes they can make their returns to the so-called "Special Commissioners" at Somerset House. This is what my firm did, but when, in consequence of a "surcharge," we had to appeal, we found the Local Surveyor of Taxes had all our figures, and the local collector had been informed of our assessment. Twice after appealing and being compelled to produce accounts we were visited by an agent of an outside "trade protection" body, and on his first visit he certainly knew more about our affairs than he ought to

have known. Probably other people have had similar experiences.—I am, Sir, your obedient servant,

TAXPAYER.

Yours faithfully,

M. WEBSTER JENKINSON.

Sheffield, 4th April 1907.

Goodwill on Termination of Partnership.

(*To the Editor of The Accountant.*)

SIR,—The following case came to my notice a short time ago, and I shall be much obliged if you, or any of your readers, can give me information on the subject.

A. owns an old-established business and decides to take in B. as a partner. The partnership is to be for three years, B. bringing in sufficient capital to give him a third share in the business.

The articles provide that there is to be no goodwill, and that in the event of a partner wishing to dissolve the partnership before the expiration of the three years, the other partner shall have the option of purchasing his partner's share. No mention is made as to what steps shall be taken when the three years terminate.

At the end of the three years A. finds the partnership unsatisfactory and wishes to pay B. out. What is his position? Has B. an equal right to pay A. out, and so necessitating the business being put up to auction? It does not seem equitable for A. to be placed in such a position.

I can find no case dealing with such a point, but perhaps you can refer me to one.

Yours faithfully.

ENQUIRER.

Revenue.

(*To the Editor of The Accountant.*)

SIR,—I should like to make some remarks with reference to the meaning of the word "revenue" as applied to accounts.

The meaning of a word is, I take it, the sense in which it is used by educated intelligent people; but when a word is coined by scientific men for scientific use, then scientific men have the best right to say what the word means. "Revenue" is a term in the science of accountancy, but I am not aware that it was coined by accountants for a definite purpose, and, therefore, others besides accountants may claim a right to say what it means.

According to the English dictionary "revenue," so far as accountancy is concerned, means income, such as rents and interest in the case of an individual, or, in the case of a Government, the means of carrying it on derived from such sources as taxes, customs, and dues. One dictionary which I have consulted defines "revenue" as receipts or rents from any source.

In bookkeeping the ideal seems to be to have all transactions analysed and classified so that everything may be called by its correct name, classification being a fundamental principle of bookkeeping; and just as it would be madness to wilfully post a debit entry to a person, A. B., which should go to another person, C. D., or to post Royalties on Patents to Salaries Account, so, if revenue means income, it is not in accordance with the ideal of scientific accountancy to post capital items to Revenue Account, the distinction between capital and income being fundamental and vital.

The following illustrations, the first three of which are taken from an appendix to Professor Dicksee's "Auditing," 4th edition, show various ways in which the word has been used:—

(1) The form of annual account and statement prescribed by the Chief Registrar of Building Societies, with the approval of the Secretary of State, has, as one of its headings, "Revenue "(including accretions to capital) and Expen- "diture Account"; that Revenue and Expenditure Account has amongst its incomings subscriptions of shareholders and new deposits.

(2) In the forms of Revenue Accounts appended to the Life Assurance Companies Act, 1870, the incomings include everything, even consideration for annuity granted, and presumably deposits of money to be accumulated at a specified rate of interest. These incomings which I have mentioned are or may be "capital" transactions and not "income," and so I think are outgoings, such as surrender values paid and endowment assurances matured.

I may mention here that, although by an excess of incomings over outgoings as shown by the Revenue Account, and true as a matter of fact, a life office might be piling up funds, it might be going to destruction all the time. A revision of the form to show the excess for the year would be of little practical use.

A Life Office Revenue Account cannot even be said to be an account of incomings and outgoings of both capital and income in which the principles of apportionment, with regard to time, are applied to all income at the end of the year, because that is not so; the office annual premiums, which consist of both capital and income, are not then apportioned as regards income, except where an office makes an annual valuation.

Speaking generally, even the loadings in the office premiums so far as not absorbed are merged in the general funds, and as soon as practicable invested reproductively, and thus economically become capital.

If revenue is income, the Revenue Account of a life office is a misnomer. In the very wide sense in which the word "revenue" is used here it serves, I think, a useful purpose.

(3) The Revenue Account, under the Gas Works Clauses Act, 1871, Schedule B, Part D, includes on the debit side the purchases of raw material, and on the credit side the sales of gas and residual products. The purchases of the raw material are purely capital, *i.e.*, circulating capital transactions, and while the credit items mentioned, probably, are composite as regards capital and income, they are not necessarily so; there may be no profit, no income.

(4) Again, I have known the Trading Account to be spoken of by writers as a part of the Revenue Account. Now the Trading Account, at least, includes the Goods Account, and, except in the instances, probably rare, of sales preceding the purchase of any goods, the Goods Account to begin with is essentially a Capital Account, and so long as it is confined to purchases it remains such. Indeed, it would be more scientific if, when a sale is effected and a new debit made, the price were analysed into its component parts of—speaking generally—cost price and profit, *i.e.*, of capital and income, and only the former part credited to Goods Account, the latter part being credited to a Profit on Sales Account; the practical convenience, however, of keeping Goods Account as a composite account until the end of the year is so great that no one, so far as I am aware, proposes anything else. At the end of the year the income is absolutely eliminated from the account, and it is restored to the position of a Capital Account.

Supposing the goods consisted of drapery, grocery, and ironmongery, would it be satisfactory to name the account simply Grocery Account, instead of Goods Account, because some grocery items were in it? Would it be any more in harmony with the classification principle of bookkeeping to name Goods Account Income Account because a part of it consists of income, while the whole of the debit entries in it except the last, and the greater portion of each of the credit entries, is capital. This is what is practically done when Goods Account is included in Revenue Account if revenue and income are synonyms.

It seems to me that in view of these illustrations, however much accountants may desire to restrict the use of the word "Revenue" as being synonymous with "Income," they cannot help themselves; they are, presumably, bound by legislative enactment, express or implied, to use it in the widest possible sense—*i.e.*, if their auditorial practice embraces the departments of business mentioned.

The fact that the incomings are placed on the debit sides of the Revenue Accounts of life offices and building societies suggests that these Revenue Accounts may have been intended to be practically summaries of the Cash Account. Possibly those who devised the forms did not know too much about scientific accountancy, but there the forms are, whether we like them or not.

Whatever ideas may have caused the term "Revenue" to be applied to "Income" the root meaning of the word is "To come back, to return." Income is not a return in all cases, *e.g.*, profit, rents, interest, which are or may be forms or shares of new wealth brought into existence rather than returns of wealth, such as money coming in for goods which have gone out.

It has been ingeniously suggested by a writer on bookkeeping that the Revenue Account shows the net surplus or deficit, and therefore, if I understand him, justifies the application of the term "Revenue Account" to an account containing capital transactions, but I would point out that, though a surplus may be income, a deficit can hardly be said to be such, hence even his suggestion cannot justify its application as above indicated in all cases. In the case of the life office above referred to, even the surplus of the incomings over

outgoings shown by the Revenue Account is probably largely capital—it may be exclusively capital—received from the community and returnable by the office as the deaths and survivals in the community shall determine; seeing that, I think we must assume that in the case of a deficiency shown by the actuarial valuation the funds left on hand are capital, that all income has gone, and that income received goes automatically to diminish the deficiency.

It would then appear that, unless the term "Revenue Account" is a misnomer, we may say that "Revenue" includes all kinds of incomings from purely capital transactions to those purely income, and that while all income is revenue, revenue is not solely income. If, however, revenue and income are, after all, synonymous, it seems to me that great liberties have been taken with the former word which have never been attempted with the latter, so far as I am aware.

At an examination of the Institute in June last a short definition of "Revenue" in relation to the accounts of companies formed under the Companies Act, 1862 to 1900, was required. I do not know if the words "in relation to the accounts, &c.," imply that revenue may mean something different in one place from what it means in another; in any case, after what I have said, it may be admitted that the question is a difficult one, and might be dangerous to a candidate expressing opinions different from those of the examiner, causing him to be considered ignorant and to lose marks, possibly to the extent of failure in the examination.

I think it would be well for the Councils of accountancy bodies to watch for forms of accounts issuing from the Legislature and from Government Departments, so as possibly to prevent such forms as may not be in accordance with the principles of accountancy from being issued to the public generally, especially as these forms might be copied in connection with colonial legislation. If I am not mistaken, the document issued as a Balance Sheet by the Imperial Government contains the items which one would expect to find in a Revenue Account; if that is the case, the attention of successive Chancellors of the Exchequer might be drawn to the difference between the Balance Sheet issued by them and the forms of Balance Sheets appearing in schedules to Acts of Parliament.

In the foregoing I have used the words "synonym" and "synonymous." I think I have read in a book by Professor Raleigh that there are no such things as synonyms; the word, however, was convenient for my purpose.

I should be glad to have your opinion on the subject, or the opinion of any accountant who has, to some purpose, studied Political Economy. It is most desirable that accountants should know what the words in use in connection with their work mean, or may mean. At this distance from London I would only ask to have a discussion originated. I hope that if anything I have said is called in question, someone else may take my side in the fray.

I am, &c.,

Melbourne, February 1907. J. B. SMITH.

The Institute of Chartered Accountants in England and Wales.

At a meeting of the Council, held on Wednesday, the 10th April 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present:—

Mr. W. B. Peat, President, in the chair; Mr. John B. Ball, Vice-President; and Messrs. J. W. Barber, J. H. Blackburn, T. Bowden, E. M. Carter, Ernest Cooper, Sir John Craggs, Mr. E. Edmonds, Sir Walter Fisher, Messrs. J. Ford, John Gane, J. Gordon, T. Gregory, J. E. Halliday, J. S. Harmood-Banner, M.P., A. C. Harper, D. Hill, C. Fitch Kemp, H. Woodburn Kirby, G. Walter Knox, J. G. Litton, J. Mather, A. O. Miles, F. W. Pixley, W. Plender, T. G. Shuttleworth, G. Sneath, W. A. Stone, J. M. Wade, E. Waterhouse, F. Whinney, T. Wise, and F. J. Young.

The Companies Bill and the Limited Partnership Bill were considered.

The Secretary reported the death of:—

Mr. R. E. Jones, F.C.A., Trefriw.
" J. Affleck, A.C.A., Manchester.
" H. L. Barley, A.C.A., Carlisle.
" T. L. Lovibond, A.C.A., Richmond.
" C. Rogers, A.C.A., Nottingham.
" A. W. Warner, A.C.A., Sheffield.
" H. B. Warner, A.C.A., Sheffield.

Recent Additions to the Library.

Purchased.

The Accountancy of Investment. By C. E. Sprague. 2nd edition. New York: 1906.

Problems and Studies in the Accountancy of Investment. By C. E. Sprague. New York: 1906.

Universal System of Bookkeeping. By R. Y. Barnes. 7th edition. London: 1875.

Accounts with Bankers. By W. Lowrie. Sheffield: 1805.

Accounting for Music Sellers. By E. Bell. Reading: 1907.

Law Times Reports, 1843-1865.

Revised Reports, Vol. 88.

Parliamentary Debates; Vol. 1 of 1907.

Life Assurance Companies Return for 1906.

Stock Exchange Official Intelligence, 1907.

New English Dictionary. By. J. A. H. Murray. Piper-Polygenistic (part of Vol. 7).

Presented by the Authors.

The Accounts of Professional Men. A paper by M. W. Jenkinson, A.C.A. London: 1907.

Bookkeeping. By Calder Marshall, Son & Ibotson. London: 1907.

Depreciation: with Special Reference to the Accounts of Local Authorities.

By Lawrence R. Dicksee, M.Com., F.C.A.

A lecture on the above subject was delivered by Professor Lawrence R. Dicksee, M.Com., F.C.A., before the Chartered Accountant Students Society of London on March 20th. Mr. W. B. Keen, F.C.A., presided. (This same lecture was also delivered at Hull on the 8th January, at Nottingham on the 9th January, and at Sheffield on the 11th April.)

The subject upon which I propose to address you to-night is one of the most debatable of those numerous questions in connection with accounts that call for solution in the discharge of our everyday duties as auditors, or as advisers upon questions of financial policy. And because it is one of the most debatable it is also one of the most interesting. I make no apology, therefore, for inviting you to consider this subject with me this evening, feeling sure that its study will prove to be of the greatest possible value to the younger members of my audience, as its discussion will be of the greatest interest to those of you whose experience is more mature.

It must be confessed, however, that although the problem of depreciation as applied to the accounts of local authorities is one well worthy of our very careful consideration, it behoves us to approach it circumspectly, inasmuch as it is a subject around which a very considerable amount of criticism has centred, which has given rise to many acrimonious expressions that I cannot but think would be the best omitted from any and every form of scientific inquiry. In certain quarters it has been freely stated—with an assurance which seems to almost carry conviction without the aid of proof—that the finances of our local authorities are in an "absolutely rotten" state, because in the great majority of instances no express provision is made for depreciation, particularly in the accounts of the trading departments, which, it is alleged, being business concerns, should be run upon proper business lines. Upon the other hand, it has been urged with equal insistence, and no less heat, that so long as local authorities comply with their statutory requirements and set aside annually out of revenue a Sinking Fund to provide for the eventual payment of their loan capital, they have done all that is necessary, and even more than most proprietary businesses attempt. And it has been further suggested that it is not merely fatuous, but unpatriotic, to cast aspersions upon the possible future and financial position of the local authorities that so conduct their affairs, because in the meantime they provide the community with conveniences that would otherwise be unobtainable, while at the same time occupying the position of a "model employer" to a large proportion of the population of this country.

In the course of my lecture to you this evening it will be my endeavour to steer clear of both extremes, and to provide you with at least some arguments in favour of the middle course which, it appears to me, ought under all circumstances to be pursued. And while it will be necessary for me from time to time to speak of local authorities and their accounts in a general sense, I should like it to be quite clearly understood that, when so doing, I am merely generalising, and have no intention whatever of criticising—or discussing in any way—the financial policy pursued by any particular local authority. Before any such particular discussion could be safely embarked upon it would be absolutely necessary to be possessed of far more detailed information than is to be gained by even the most careful perusal of any of the available published accounts; such criticism must of necessity therefore be entirely unprofitable, save in cases where, as a result of such a detailed investigation, these particulars are to hand. In the nature of things they can only be at hand as the result of an inquiry conducted upon instructions received from the local authority itself, and

must in consequence be regarded as confidential. Hence the extreme difficulty of dealing with this interesting subject upon lines that can serve any really practical and useful purpose. I trust that this important point—the entire absence from published accounts of such reliable data as will enable competent persons to form a correct impression as to the financial position—will not escape the attention of the Departmental Committee appointed by the President of the Local Government Board to consider the question of local authorities' accounts generally. If the required data were in all cases available, a very great step forward would have been made towards a proper treatment of the subject as a whole; but in the meantime it seems to me that all detailed discussion of the accounts and of the financial position of any particular local authority must of necessity be futile, and that these various bodies can only look for guidance to the professional auditors, which most of the more enlightened now employ. Hence the need for Chartered Accountants to make themselves conversant with the salient features of the problem.

Proceeding, then, to consider the subject that lies before us, I think the first point is to be quite clear as to what we mean by the term "Depreciation." And, in order to keep my remarks within a reasonable compass, I propose only to consider the problem as it affects the trading departments of local authorities, such as electric lighting, tramways, gas, and sometimes water; for it should be borne in mind that an efficient water supply is a sanitary necessity, and is therefore sometimes undertaken even under conditions when its supply precludes the idea of a profit, and when, therefore, the Water Department cannot be seriously regarded as a trading one. By the term "Depreciation" we ordinarily mean that loss, or shrinkage in value, which inevitably occurs from time to time in the assets which represent the capital equipment of a business, as a result of their employment therein; such loss being attributable to wear and tear, to lapse of time, to the march of modern invention, or to any or all of these causes combined. This shrinkage in value, we say, must be regarded as a working expense of the business, in just the same way that the hire of these assets would have to be regarded if we had merely acquired the *use* of them for short periods instead of expending capital in the acquisition of them for ourselves; and we have, of course, many different methods of computing the amount to be annually charged in the accounts, as Depreciation, to cover this necessary and expected shrinkage in value. This, no doubt, is the ordinary and accepted view of Depreciation as held by accountants, and all business men who have come under their influence; but I do not think that we ought for that reason to assume that it is a view which is necessarily enforceable against local authorities. At all events, no such assumption appears to be generally admitted, for many at least of those who claim to speak on behalf of these authorities urge that their constitution is such that they are *not* bound by rules and formulæ which it may be desirable—or even necessary—for ordinary individuals to observe. Let us, therefore, see whether we cannot, by inquiry into first principles, get nearer to the root of the whole matter, and arrive at some natural law which must admittedly be binding upon local authorities as much as upon proprietary undertakings.

If we search for such a root principle we shall, I think, find that it lies not very far from the idea which is at the back of every lawyer's head when considering questions of account, and which has so often proved incomprehensible to laymen—namely, that in its essence an account ought always to be capable of being resolved into an account of receipts and payments in money, and would in all cases so resolve itself if we were content to wait for an account until the undertaking had been brought to an end. Regarded from this point of view it will be seen that all payments are a charge against profits, and that all receipts (other than those receipts representing the original capital adventured in the undertaking, and any subsequent additions thereto) are to be regarded as profits, which, after payment of the necessary disbursements, represent the net profit of the venture. If there were no necessity to prepare an account of profits until the undertaking had been completed and finally liquidated, this is the basis that we should doubtless all employ by preference; and it is only owing to the need —a need recognised by every business man—to be supplied with interim accounts at fairly frequent intervals that we have evolved what I may call the "Revenue Basis" of accounts, as opposed to the "Cash Basis." In the preparation of a Revenue Account, designed to show the profits earned up to a particular date during the continuance of an undertaking, it is necessary to bear in mind *inter alia* that certain expenditure which will ultimately be chargeable against profits cannot for the time being be fairly so charged, because the full benefit of that expenditure has not been yet received, and further benefits may be reasonably expected to be received from this same expenditure in subsequent years. Out of this circumstance, I take it, has grown the practice of "capitalising" certain expenditure which will result in benefits being continuously received over a considerable period of time. And the practice is undoubtedly fair as between one year and another, and even necessary to enable us to arrive at a reasonable estimate of the profits up to date; but this interim estimate of profits is, in the nature of things, compiled upon the assumption that the benefits to be derived in the future from the expenditure which has been held in suspense (or capitalised) *will* be equal to the estimate which we have formed of those future benefits.

To guard against serious errors of estimate under this heading the Legislature has provided, in respect of certain

classes of undertakings—*e.g.*, railways and proprietary gas works—that all expenditure upon the renewal of assets represented by expenditure that has been capitalised (or held in suspense) shall be charged against revenue; so that, at all events by the time an asset is discarded, a sum equal to its original cost (or the cost of replacing it by another asset equally efficient) shall be charged against revenue, and thus, at all events, the proper charge shall be borne by the revenue of a series of years, even although there may be inequalities in the apportionment of that charge as between one year and another in the series. Bearing in mind the extreme difficulty of framing these estimates, this is probably as far as it would be practicable for the Legislature to go in such matters; for it must be borne in mind that any legislative requirement in this direction imposes a corresponding duty upon accounting parties, and it would be impracticable to impose upon those accounting parties duties so onerous that no responsible person would dare to undertake them. At the same time, it is clear that when the accounting parties desire to produce annual (or other short-period) accounts which will, as nearly as possible, show the true results of each period's working, it is frequently necessary to provide, in advance, something towards the cost of renewing assets, in order to avoid serious inequalities in the apparent profits shown by those accounts, which are represented by no corresponding fluctuations in the amount of profitable business actually done. Thus it is, I take it, that the custom has grown up among prudent business men of setting aside a provision for Depreciation (which is the same thing as providing for the future cost of renewals) from the very first year in which the various capital assets are used, instead of waiting until such assets are discarded, and then charging a lump sum as representing the whole of the cost of such assets then written-off against profits—in which event, of course, the whole of such cost of renewal would be charged against the profits of *one* year, although the benefit derived from their use had been received during many years.

If we take the principles which I have just enumerated as representing the basis upon which it is necessary that provision for depreciation of wasting assets should in all cases be provided, we are, I think, upon safe and uncontroversial ground, and may next proceed to consider the problem as applied to local authorities, where, it must be confessed, certain other peculiar circumstances obtain that equally call for our careful consideration.

The trading departments of local authorities differ from ordinary business undertakings in this somewhat material respect, that the Legislature—having foreseen that the various assets they would acquire as a result of capital expenditure would in the majority of cases not last for ever, but only for a limited number of years—has stipulated that the moneys borrowed to enable a local authority to pay for such assets must also only be borrowed for a certain limited number of years; and that during that period provision must be regularly made by way of a Sinking Fund to enable a sufficient amount of money to be set aside, and accumulated at compound interest, to redeem the loan on the date it becomes repayable. (And, in those few cases where an issue of irredeemable stock has been sanctioned, a Sinking Fund is also required; so that even although the original loan may never be actually paid off, it may be balanced by a corresponding amount of liquid assets upon the other side.) The effect of this stipulation, that there must be no permanent debt, is, of course, that, assuming the working life of the assets in all cases exactly corresponds with the period for which the loan has been granted, the amount set aside out of revenue during the time that those assets have been available for use as revenue-producers will exactly equal the whole of their cost; and consequently, although there may be minor errors with regard to the apportionment as between one year and another, the charge against revenue in respect of the Sinking Fund may, *under these peculiar circumstances*, be regarded as being the statutory equivalent for, and as taking the place of, the ordinary business man's charge for depreciation of assets.

It is true, of course, that the amount so set aside will not be available for the renewal of assets, for it will have to be employed in the repayment of loans, and the same money cannot be spent upon two purposes at the same time; but, when the original loan has all been paid off, the local authority can obtain power to borrow further moneys for such renewals as may then be necessary, thus restoring the *status quo*. The undertaking began life with no capital of its own, but only with borrowed capital, and it is not as a matter of law required to improve upon that position; for, were it required to do so, the necessary effect would be to compel the existing generation of ratepayers to pay for benefits which would enjoyed by their successors, and this apparently is not, and never has been, the policy of the Legislature as applied to these undertakings.

Having said so much, I must ask you to be very careful not to lose sight of the qualifications that I have enumerated when enunciating this general principle. The Sinking Fund instalment can only be regarded as equivalent to depreciation, in the ordinary business man's acceptance of that term, in those cases where the working life of each separate asset is exactly equal to the loan period. This is a point which is frequently lost sight of in practice, and is of the very greatest importance, as I shall now proceed to show you.

When a local authority applies for leave to issue a loan it has to submit estimates of its proposed expenditure to the Local Government Board, and upon these being approved the loan is sanctioned for a term that, in the opinion of the

Local Government Board officials, represents the average life of the assets that will be acquired out of the proceeds of the loan. There is no reason to suppose that these officials are more infallible than any other human beings, and it may well be that their estimate of the working life of some at least of the assets is subsequently found to be erroneous; and particularly is there a liability to error in the case of expenditure for novel purposes, where there is no reliable basis of experience to go upon. But, even assuming that the loan period exactly equals the average life, it must be borne in mind that the various assets proposed to be acquired will, in all normal cases, be anything but uniform in character; and that thus there will be a very marked discrepancy between the loan period and the estimated life of almost each one of the several classes of assets proposed to be acquired, while, of course, there will be still further variations as between individual items of assets of the same kind. In order to make this point quite clear I submit to you the following diagram, showing approximately how the expenditure on a municipal electric lighting works would probably be divided as between different classes of assets; the estimated working life of each class of asset; its estimated residual value; and its effective working life, taking the residual value into account. From these particulars it will be found that, in the case cited, the average working life of the undertaking as a whole works out as nearly as possible at 48¾ years; and upon that basis a loan would in all probability be granted for 48 years, or thereabouts. But, upon comparing the loan period with the column showing the effective life of each class of asset, it will be seen that in no single instance do the two correspond. In some cases the working life is very considerably greater, while in other cases it is very considerably less: in no single instance is it even approximately the same.

TABLE, SHOWING APPROXIMATELY THE PROPORTIONATE CAPITAL EXPENDITURE OF AN ELECTRIC LIGHTING UNDERTAKING OVER THE VARIOUS CLASSES OF ASSETS, AND THE WORKING LIFE OF EACH CLASS.

Class of Asset	Estimated Life	Residual Value	Effective Life	Amount of Expenditure
	Years	Per cent.	Years	Per cent.
Land	100	..	100	4·00
Buildings	80	..	80	14.00
Foundations	100	..	100	10 00
Boilers (w/t)	25	5	26·3	5·50
Dynamos	30	8	32·3	6·00
Engines and Machinery ..	25	6	26·6	21·50
Cables	35	15	41·2	32·00
Arc Lamps	12	5	12·6	1·20
Arc Lamp Posts	40	5	42·1	1·00
Accumulators	15	10	16·6	0·20
Motors	25	9	27·5	0·55
Office Furniture	15	5	15·5	0·30
Meters	12	2	12·3	3·40
Accessories and Instruments	12	2	12·3	0·15
Tools	10	5	10·5	0·20
				100.00
Average Effective Life			48·75 years.	

Of course, it would be possible to get a closer approximation between the loan period and the working life by grouping our capital expenditure under, say, half-a-dozen different headings, and applying for a separate loan in respect of each, in which case the loans might perhaps be sanctioned for periods varying from 12½ years up to, say, 80 years. By carefully so classifying expenditure under suitable headings, the difficulties to which I am about to draw your attention might be reduced, but no amount of classification could altogether remove them. You may take it that in all cases the problem obtains, and that in all cases the amount of money involved runs into very large figures; so that it cannot be said with even approximate accuracy that, in practice, the statutory provisions with regard to Sinking Fund adequately solve the Depreciation problem.

Taking, however, the case stated in our diagram, which, while comparatively simple, has not been so simplified as to represent a position of affairs differing very greatly from that which I have reason to believe very generally obtains, you will see that the shortest lived asset upon the list represents "Tools, &c.," which have an effective working life estimated at 10·5 years. It is true that this item represents only 0·2 per cent. of the capital expenditure, and that, therefore, any error that we may discover in connection with it is practically a negligible quantity; but the general principle will apply equally well to all assets having an effective working life estimated at less than 48¾ years—that is to say, to the whole undertaking, with the exception of its lands, buildings, and foundations.

With regard to Tools, the position is that at the end of about 10½ years, if our estimate of their working life proves true, they will require to be renewed. The cost of such renewal must to a large extent be then borne by revenue, because the rule of the Local Government Board is that whenever the renewal of an asset takes place, and provision has not been made for the repayment of the *whole* of the original cost thereof, a new loan will only be sanctioned to the extent to which provision has been actually made for such repayment. On the 2¾ per cent. Tables a Sinking Fund of about 1 per cent. is necessary to provide for repayment at the end of 48¾ years, and at the end of ten years that Sinking Fund will only have amounted to 11·33 per cent. Therefore, upon the scrapping of these tools at the end of ten years, 88·67 per cent of the original cost must be charged against revenue. Now it must, I think, be obvious that to charge 1 per cent. per annum for ten years, and then about 89 per cent. in the eleventh year, is not a fair or an equitable way of apportioning between those eleven years (or, to be accurate, 10½ years) the proper charge to represent the benefit derived by the undertaking during that period from the use of these particular assets. In this extreme case, it is clear that, in addition to the statutory Sinking Fund of

1 per cent. per annum, something like a further 8½ per cent. per annum ought to be charged as a reserve for renewals.

Of course, in practice it is not at all likely that all the tools will last for exactly the same period of time. Some may last more than 10½ years, and some less, and yet 10½ years may represent the average life of this class of asset. It may even be that with regard to such an item as Tools the cost of renewals from year to year may average itself sufficiently to, for practical purposes, enable the actual cost of renewals from year to year to be a reasonably fair charge against current revenue; but that would certainly not be the case with an item like Engines and Machinery, where the individual assets would represent heavy items, and thus the cost of renewal, if it all (or nearly all) fell upon one particular year, would constitute a very unfair charge against the revenue of that particular year necessary to compensate for the insufficient charge made against all the previous years.

Conversely, of course, those assets which have an effective life longer than the loan period will remain in good working order after the loan has been entirely repaid, and in the case cited in our diagram it will be seen that the first three items have an average working life of 90 years, or nearly double the authorised loan period. When, therefore, a 1 per cent. Sinking Fund is set aside in respect of these items, it represents something like four times as much as is necessary to make due provision for Depreciation. But this excess cannot be made use of to supply the deficiency to which I have already referred, for the simple reason that the Local Government Board will not allow moneys to be borrowed for renewal purposes to an extent exceeding the provision already made for the repayment of that portion of the loan.

We cannot even go the length of saying "It will be all right a hundred years hence," for in one way or another—that is to say, either in lump sums as renewals take place, or reasonably equitably apportioned over the various years, if due provision be made for the contingency in advance—the cost of those renewals for which no borrowing is permitted *will have to be* borne by revenue; and, inasmuch as there is a further rule that borrowing is not allowed (save within somewhat narrow limits) in respect of expenditure that has already been incurred, it is not even possible to get straight again later on, when the original loan period expires. Thus in any event the statutory Sinking Fund will not suffice to keep the undertaking going. Further charges *must* be made against revenue, as representing part of the cost of the renewal of what we may, for convenience, call the "short-lived" assets. And thus, in spite of its avowed policy to merely maintain the *status quo*, the Local Government Board in practice requires local authorities to accumulate a certain amount of capital on their own account. This is, and must in all cases be, the inevitable result of an equated loan period.

That being so, the only prudent course, it seems to me, is for each local authority to have a careful calculation made, and as a result thereof to compute the annual sum that it ought to charge against revenue, in addition to Sinking Fund, in order to equalise the expenditure that will necessarily be incurred on the renewal of these "short-lived" assets. Such a charge is sanctioned by the statutory provision usually obtaining, permitting the local authority to create a "Reserve Fund" not (usually) exceeding one-tenth of its aggregate capital expenditure for the time being. This limit, although no doubt fixed without any previous scientific inquiry, will, I think, be found adequate under all normal circumstances; but the so-called Reserve Fund—or, as I prefer to call it, Reserve (for renewals) Fund—should be built up systematically upon a basis computed by careful calculation, and not haphazard out of "surplus profits" when there are any. Then, when the necessity arises for renewals to be made for which no borrowing is permissible, the cost of such renewals may be borne by the fund, thus reducing it and permitting further accumulations to be made out of revenue from time to time.

This plan has already been adopted at my suggestion by the electric lighting department of one local authority, and its advantages are, I think, sufficiently evident to encourage the hope that others will gradually fall into line and adopt the same course. The advantages of so doing are, it seems to me, self-evident. It effectually sets at rest all doubt as to whether due provision for depreciation is in point of fact being made; and, by so doing, naturally increases the credit of the local authority, and improves the terms upon which it will be able to raise future loans. At the same time, by definitely ear-marking from year to year gross profits which in all fairness ought to be set aside to provide for future expenditure, it becomes possible to provide reasonable reserves for contingencies, thus avoiding the fatal policy of reducing prices to a level which it will be impossible to maintain in future years, when heavy expenditure for renewals has to be provided out of revenue because no borrowing powers can then be obtained.

Before leaving my subject, however, I should like to point out that, with but very slight sacrifice at the present time, material advantages might be secured in the future by gradually reducing the outstanding indebtedness of these various trading departments. In the present state of the law the maximum Reserve Fund is usually 10 per cent. upon the capital expenditure, and this would probably be held to include the Reserve necessary to equalise expenditure upon renewals. But, were this maximum to be abolished, an additional Sinking Fund of ½ per cent. per annum would entirely free an undertaking from debt in about 69 years;

while a Sinking Fund of only 4s. per cent. per annum would produce the same effect in less than one hundred years. Thus, at an almost imperceptible increase of current expenses, provision might be made for a material reduction in the indebtedness of local authorities at no very far distant date; and I cannot help thinking that the increased charge upon the present generation of ratepayers would be almost immediately compensated for—and more than compensated for—by the more favourable terms on which local authorities would then be able to issue their loans. The mere fact that local indebtedness was decreasing, instead of increasing, would greatly increase the competition for local stocks, and thus enable them to be issued at a higher price, or at a lower rate of interest, or perhaps at both; a result which would very speedily compensate for an immediate expenditure of a few shillings per cent. per annum on the present amount of indebtedness. This is, of course, outside the scope of our present discussion, and represents merely what might be done if the Legislature thought fit to extend the powers it now grants to local authorities; but as a problem in practical finance, it presents points of considerable interest, and is thus, I think, well worthy of more careful consideration than it appears at the present time to have received.

Mr. Dicksee having delivered his lecture, an interesting discussion took place.

Mr. William Cash, F.C.A.: In opening a discussion one starts with a disadvantage when one has heard such a clear and admirable paper. Every word Mr. Dicksee has said has been carefully weighed. He has chosen his phrases with great care and accuracy, and in speaking after him one is at some disadvantage. I am glad to notice that at the outset he said this was a vexed question, because there has been a great deal said both for and against the action of local authorities in the past on the methods which they have adopted and the attitude they have taken up with regard to the question of Depreciation. At the same time, it is a very important question, because the borrowing of local authorities in the past has had a disturbing effect both on the money market and on the general financial situation in the country; and if those borrowings are to continue—as, of course, they must while these loans are outstanding—it is most important that their accounts and the question of depreciation in their accounts should be dealt with on a proper and scientific basis. I may say at once that I had not the slightest idea of the line Mr. Dicksee was going to take on the question of Depreciation, but personally, so far as my opinion is worth having, I am absolutely in accord with him. I think the general principle he has enunciated is the right one, and it is one for which I have always contended—namely, that when you are dealing with a question of equated period, as you have to do when you are dealing with the question of capital borrowed by local authorities for these undertakings, you have to regard the fact (having also in view the regulations of the Local Government Board) that in addition to the Sinking Fund which is laid down by law for the repayment of the capital, you have to provide during that equated period for the wearing out or the obsolescence of the short-lived plant, and for that you require a Depreciation Fund of some sort. That, I gather from Mr. Dicksee's paper, is the view which he takes. With regard to the other matters he has put before us, there are just one or two observations I should like to make. One is that, as you probably know as well as I do, the Local Government Board are year by year drawing tighter the powers which they have over local authorities. They are shortening the terms of loans which they are granting for such things as electric light undertakings, and they are also shortening the period which they are allowing in arriving at the equated period for the different classes of assets which require to be provided in the undertakings. Take, for example, the question of Meters. Mr. Dicksee puts down here the estimated life of meters—and I have no doubt he is about right—at twelve years. I heard a Local Government Board inspector lay down during the current month that five years was the outside life that he would allow in calculating the equated period if the local authority insisted upon borrowing for meters, and he also strongly advised the local authority not to borrow at all for meters, and that the whole of that expenditure should be paid for out of the current revenue. That may seem rather hard on the particular undertaking, but he also pointed out —and I think with good reason—that for a local authority to borrow for such a short term as five years was extravagant, and, in his opinion, inexpedient. One other alteration the Local Government Board are now making, and this you are probably aware of. They are now in many cases splitting up the sanctions they grant to local authorities, and they will tell you now—which they did not do before —how they arrive at their equated period, and you can, if you like, apply for the sanctions to be granted in respect of each particular class of asset, either grouped or singly, when applying for a loan. That, from our point of view, is an immense advantage, because it simplifies the vexed question that Mr. Dicksee has referred to—namely, of calculating at any period, when the renewal of a short-lived plant becomes necessary, precisely how you stand with regard to the past and with regard to your capital expenditure. I do not think any good purpose would be served by my going over the points Mr. Dicksee has made, because he has put them so very clearly; but the one main underlying feature which I should like to emphasise is this—and Mr. Dicksee put it forward in his paper—that the capital which a local authority has to use for the purposes of its undertaking is borrowed capital, not its own capital. It is not in the position of a commercial undertaking dealing with share-

holders and so forth, but it is simply borrowed money; and that is the underlying principle on which the Legislature has proceeded when it says that borrowed money shall be repaid at a definite and a fixed date. Then, again, I quite agree, of course, with what Mr. Dicksee has said, that the Sinking Fund is a thing distinct from depreciation provision and does not adequately provide for the depreciation of short-lived plant. Then as to one other remark in the earlier part of Mr. Dicksee's paper. He spoke of the absence of reliable information with regard to the accounts of local authorities. I think we will all agree that, speaking quite generally, it would be an immense advantage if the accounts of local authorities throughout the country were all reduced to some common form which would give us in a concise and exact manner the position of the accounts of any particular local authority. The accounts generally contain an enormous mass of information, a great part of which, for the purpose of arriving at the true financial position of the authority, is irrelevant and unnecessary; and although, so far as certain trading operations are concerned, there are statutory forms of account—of course, Mr. Dicksee knows there is a statutory form for electric light, for gas, and in certain cases for water—still, it would be, so far as the other parts of the accounts are concerned, an excellent thing if they were all brought down to one uniform form.

Mr. A. C. Anderson: I am sure you will all agree with what Mr. Cash has said with respect to Mr. Dicksee's lecture. It is especially useful to us to have these matters put in such a lucid form, as the majority of us are junior students and have had no experience in such vast accounts as those of local authorities. I should like to put one or two questions to Mr. Dicksee upon points dealt with in his lecture. He mentioned that where Depreciation was provided for as well as a Sinking Fund it was really raising capital out of the present ratepayers to benefit future ratepayers. I do not know whether it is usual to provide Depreciation as well as the statutory Sinking Fund; but assuming a case, if I may, where that is done and the capital has thus been accumulated, I should like to ask the correct way of dealing with that capital item where the concern is sold to a private company. I have in my mind a case mentioned in the newspapers where that was done a few weeks ago in connection with Bath or one of the West of England towns; but I am not in a position to say whether a Depreciation Fund as well as the statutory Sinking Fund was in vogue in that concern. Also in his opening remarks Mr. Dicksee said that in connection with accounts relating to railway and gas companies it was laid down by statute that certain repairs were to be provided out of revenue. I should like to ask whether the number of years—that is, the life of the asset—is given in any terms in those accounts, or whether it is merely a general term that those repairs shall be provided out of revenue. In the case of tools, where—if I understood the remarks of the lecturer correctly—they are useless after ten years, although the period for which the loan out of which those tools were paid for is 48¾ years, I think we have seen, from what Mr. Dicksee has said, that the Local Government Board will not give sanction for further capital unless the cost of those tools has been provided during ten years. That seems to me to necessitate providing a Depreciation Fund to cover the cost in the ten years as well as the statutory Sinking Fund. I do not know whether I am right, but if that is so, is not the amount of that Depreciation Fund to be taken into account in calculating the yearly appropriation to the Sinking Fund? Further, in the lecturer's opening remarks on the form of accounts, to which Mr. Cash also has referred, he said that in certain cases professional auditors were employed. I should like to ask whether, in his experience, he finds the form of accounts and the information given in those cases is superior to that where they are not employed.

Mr. F. G. Bowers, A.C.A.: With regard to the paper Mr. Dicksee has read, I think it would be a relief to some of us at least to find that the views which have been put so very prominently before the profession are not held by such authorities as Mr. Dicksee and Mr Cash—at least, if I understood those gentlemen rightly. If the equated life which the Local Government Board prescribes were the true equated life—I mean if the Local Government Board inspectors, after hearing the evidence, could hit on the really true number of years—then, I think, Mr. Dicksee and Mr. Cash both agree that no Depreciation Fund would be necessary and that that would be the only charge necessary to maintain the concern on a sound financial basis. But because of certain stringent regulations which the Local Government Board make—rightly or wrongly—the local authorities, in order not to have to charge large sums on the rates or against the undertakings in some future years, have to provide an extra sum which is really an appropriation of profits. To my mind it is very important that we should be clear as to this point. Of course, if the equated life is not the true equated life an extra charge must be necessary, as we shall all agree; but if the equated life is the true one, I think we should all like to be clear that both Mr. Dicksee and Mr. Cash—and we should like to hear something from Mr. Keen on the subject—regard the charge as a sufficient one; and that to provide these renewals—and the regulations with regard to borrowing have always seemed to me to be very stringent—you have really to set aside profits, and to charge the undertaking with more than a commercial company would have to do under the same circumstances. It has always seemed to me surprising that the desire to make local authorities make such heavy charges against their accounts should come from the quarter whence it did, because, if I may say so, the parties who are urging that Depreciation should be charged as well as a Sinking Fund, belong, as a

whole, to the conservative party in the community. No doubt the purpose which would be served if this course were followed is the purpose which the socialistic party have in mind. I think it is well known that the great ideal of Socialists is that all the debt shall be paid off the undertakings, and that the community should hold the undertakings in its own right and really be the owner of those undertakings, free from all incumbrance; so that one would expect that all persons who are not Socialists and who are opposed to Socialism would be anxious that this extra charge should not be made. Then, again, when people tell us that the accounts of local authorities are in a very bad state, one feels that there is one point in general which goes against this being so for a long period. The party which is not the party distinctly unfavourable to Socialism and socialistic experiments has extended municipal trading, and I think that, had it been possible to make a good case out against the general policy of local authorities, the conservative party would have stepped in and insisted on more sound methods. Then if these undertakings are free from debt the local authorities will no longer have to come to the money market to borrow, and what I consider to be one of the greatest checks on their administration will then be gone, because we all know that one of the things that local authorities always have in their mind, in connection with their policy, is that they must keep their record good, so that when they next go to the money market they shall be able to borrow on good terms. The increased charge of 1 per cent. of which Mr. Dicksee spoke, is a charge which, if made against the profits, would probably reduce the interest which local authorities have to pay, and I should like to point out that if they did increase their charge against revenue by 1 per cent. that would be equal to adding 1 per cent. to their interest, and I am perfectly sure they would not get 1 per cent. off their interest, because the whole of the capital is invested in these assets, and an increase of 1 per cent. would be exactly equal to 1 per cent. on the interest. I have thoroughly enjoyed Mr. Dicksee's lecture and Mr. Cash's remarks, and hope Mr. Keen will also favour us with the benefit of his experience.

The CHAIRMAN: I should like to join in thanking Mr. Dicksee for his very able and interesting paper, and in the main I am bound to say I entirely agree with him. But I think there has been a good deal of discussion on one point where there is a little misapprehension—a misapprehension that, perhaps, Mr. Cash's speech has rather ended—and that is on this question of the equated period. Of course, taking this paper that is in our hands, 48·75 years is the equated period for these various items proposed to be borrowed by this electrical undertaking; but my experience—and I think it is the common experience now—is that since the decision of the Local Government Board that, where you equate you must take each item in the equation as being 48·75 years, the equating of loans sanctioned for different periods has practically ceased. I had a tussle with the Local Government Board a year or two since on this particular point. I argued that I had a loan of twenty years equated with a loan of ten years, and I got a fifteen year period. At the end of ten years the ten year asset had naturally worn out, and I argued that I was entitled to borrow again for that, but they said "No, there is ten-fifteenths only worn out." Since that has been brought home to me I have not equated in that way. Now, if you take this document it is quite clear that you would equate the two loans for land and foundations, those both being one hundred years, and you might, perhaps, put the buildings, being eighty years, with it, as that would not make a great difference. When, however, you come to shorter loans, you would take the ten and twelve years' loans together, but you would never think of equating the ten year with the one hundred year loan; so that I think the difficulty in practice does not exist to any considerable extent now. I am bound to say that my idea is that it ought to be sufficient for a local authority to carry to its Sinking Fund the proportion of the loan that has to be paid off in accordance with the term sanctioned without any necessity for an additional Depreciation Fund. There is no doubt the Local Government Board can only act on the best information that is available as to what the life of a particular asset is. Sometimes they go astray. For instance, since the electrical industry has come so much to the fore, they sanctioned periods in some instances considerably in excess of the life of the asset, but having learned from experience they have cut down those periods. It may also be borne in mind, as a set-off against that, that there is this question: taking again the illustration we have before us of land—a hundred years—what is going to be the value of the land at the end of that time? Very probably it will be more than it is to-day, so that the Sinking Fund that is being set aside year by year in respect of the land is practically not wanted at all. There is no depreciation on the land, but there may be appreciation, and that goes to make good any depreciation there may happen to be on some of the other items. I think, in dealing with local authorities, we do not want to go for such absolute scientific accuracy. At any rate, we cannot attain it, and I think if there is a little risk that the period sanctioned may be a little too long, there is also the greater risk that it may be a little too short; so that we may weigh the one with the other and accept the payment of the Sinking Fund in ordinary cases as being sufficient depreciation. The practice that Mr. Cash has referred to as existing with regard to gas and water companies particularly, of setting aside a portion of their profits to a Reserve Fund, which may ultimately amount to 10 per cent. of their capital, is, of course, a very useful one, and I think that may very well be adopted by local authorities where they have

power. That appears to me to raise a question which some day may have to be faced—I do not know how far it has been raised at present—namely, that a local authority carrying on a trading undertaking carries it on for the benefit of the ratepayers; and it carries it on under the sanction of an Act of Parliament, or, in some cases, of an order—for instance, in the case of a light railway order—and any deficiency in carrying on may be charged against the rate, while any surplus in carrying on has to be credited to the rate. Well, it has to be considered what a rate can be raised for. The general district rate is usually the rate that has to bear the loss or that has to take the profit on these trading undertakings, and a general district rate may be made to make good any deficiency in the General District Fund. Well, suppose a ratepayer says, "You have paid "your Sinking Fund charge and interest on your loan, and "you have set aside a sum to meet what you call Deprecia- "tion. I claim that is profit, and I claim that you cannot "make a rate on me without giving credit for that profit." I am not at all sure that the ratepayer may not be entitled to succeed in his contention, and I am not at all sure that we shall not some of these days have the Government auditors, who are getting rather wideawake and anxious to come to the fore, raising points of that sort. There no doubt is a legal point involved, and I think some day it may have to be discussed. In connection with the borrowing there is no doubt that a general rule of the Local Government Board is that they will not sanction a loan for a longer period than the life of the asset; but it is rather remarkable what different periods are sanctioned; and we have also this point that we ought not to lose sight of. Some of these authorities do not borrow with the sanction of the Local Government Board. Take, for instance, the London County Council. Their terms are sanctioned in their Money Bill, I think, which is brought in annually, and the repayment they make is not in the form of a Sinking Fund, properly so called, but they repay a sixtieth of the amount of their borrowing into what they call the Consolidated Loans Fund, which they apply largely in lending to other authorities, the interest on which they apply towards the reduction of the London County rate. Their system is therefore a system of repayment by instalments, and not a repayment by Sinking Fund, which I think we should all regard as being the more scientific method. Then in the case of other County Councils, the maximum period that a County Council may borrow for under the Local Government Act of 1888 is thirty years, but the London County Council gets sixty years. Well, there is a great inequality there, and the question might be raised as to whether sixty years is not an excessive period when applied to the assets generally in respect to which their loans are raised; so that in the case of the London County Council, if that be so, there may be a question properly raised as to whether a Depreciation Fund or a Reserve Fund ought not in addition to be made there; but if their borrowing were regulated by the Local Government Board in accordance with the principles that they apply to the borrowings of other and smaller local authorities, I think there would be no necessity for any question to be raised. There is another point that has not been raised this evening that I thought probably would be, and that is the question of Depreciation in connection with the settlement of income-tax. I do not propose to weary you by going into it, but I received the other day a document setting out statistics from various boroughs as to what had been done by income-tax surveyors in the way of allowance for Depreciation, and just one or two of these may interest you. In the case of tramways twenty-eight boroughs rendered returns as to the Depreciation allowed, and with regard to the item of Overhead Equipment 10 per cent. was allowed in some cases, 8 per cent. in others, 7½ per cent. in others, 6 per cent. in others, 5 per cent. in others, and 3 per cent. in others, so that you have a variation from 10 per cent. to 3 per cent. in the view taken by the various surveyors of factories as to the depreciation of overhead equipment. In the case of cars and rolling stock there is a variation from 10 per cent. down to 5 per cent., and in other plant from 10 per cent. down to 3 per cent. In the case of water-works, out of seventeen boroughs, 5 per cent. was allowed on machinery in three of them, 10 per cent. was allowed on other plant in one of them, 5 per cent. on other plant in three of them, and in the rest no allowance at all. Then in electric light cases, on machinery the allowance varied from 6 per cent. down to 2 per cent.; on motors, meters, and transformers from 10 per cent. down to 1 per cent.; on mains and cables from 6 per cent. to 1 per cent.; and on lamps from 5 per cent. down to 1 per cent. There is no doubt that these variations ought not to exist; and, at any rate, it would be useful if some scale could be enforced which would be acted upon by surveyors of taxes. The Chairman of your Society, I think, referred to the question of the Reserve Fund of one of these undertakings on sale, as to what would become of it if there were a Reserve Fund. Well, I do not want to anticipate any answer the lecturer may give, but I do not think any of us can answer that question. I am sure Mr. Cash's opinion and my own will be that we generally try and get the Reserve Fund as well thrown in without any increased payment if we are acting for the purchaser, and the reverse if we are acting for the vendor—(laughter)—and sometimes it goes one way and sometimes the other. Then there is another matter which I thought might interest the meeting a little. I do not know whether members of the Society have made themselves familiar with the report of the Joint Select Committee on Municipal Trading. That Committee made an interim report some three years back, in which, amongst other things, they

recommended that the accounts of County Councils and Boroughs, and some other of the larger authorities, should be audited by Chartered or Incorporated Accountants, instead of, as at present, by the Local Government Board auditors. They also in their report mentioned that their opinion was that the auditors so appointed, who would be Chartered or Incorporated Accountants, were to make a report which would be given to the Local Government Board and the local authority, and they should express their opinion upon the necessity of Reserve Funds and of the amounts set aside for depreciation and obsolescence of plant in addition to the statutory Sinking Funds, and of the adequacy of such amounts. I suppose we should all welcome the day when we took the place of Local Government Board auditors, or any other people who are not Chartered Accountants. Whether that day is ever coming I do not know; but, at any rate, before the Committee of Parliament this question of Depreciation was an important question, and therefore it is one which very properly has our consideration. One other point was mentioned, regarding accounts prepared by accountants for local authorities, as to whether they are on better lines than those not prepared by accountants. Of course they are. (Laughter.) I am afraid there are not so many of them prepared by accountants as there ought to be, and I quite agree with Mr. Cash in what he says with regard to so many of the local authorities' accounts being bound up in a thick and handsome binding and looking very formidable, though when you come to look through them there is a mass of detail—for instance, how much nails and string has been bought from John Smith and William Jones—which can by no possibility interest anybody. Your difficulty is to find what the accounts mean, and I think it would be useful if they could be standardised a little. I am afraid always of the standardisation of accounts, but it would be better if they could be prepared more by Chartered Accountants, who should aim at giving not a mass of uninteresting detail, but the actual facts which ought to be brought home to the ratepayers, and these should be given in a form in which they could be readily understood.

Mr. Cash: To give an example of the last point dealt with by Mr. Keen, I actually had a case not very long ago dealing with the accounts of a local authority where, in talking to the borough accountant, I said, "Why on earth do you give all this mass of information?" "Well," he said, "in our accounts last year a question was raised. We "had sold a lot of old brooms, and they did not appear any-"where in our accounts." (Laughter.)

The Lecturer: It is getting rather late, so I will make my remarks as brief as possible. With regard to the diagram I put before you, of course, in practice it is not at all likely that all the various assets would be grouped together, and one loan obtained for the lot. There would, no doubt, be a certain amount of splitting up into sections of approximately equal life, and loans would be granted for different terms in respect of each section. But I have purposely put this data in the form of a diagram, as being as simple as possible, to make as clear as I could the main idea that I wanted to put forward—namely, that even when you have only two items, and you take an average, that average does not correspond with the items. In this case we have fifteen different kinds of assets: if we had fifteen separate loans, one in respect of each class, they would still be loans for equated periods, because the individual items of assets would not all be of equal life, and, therefore, the difficulty that I drew your attention to must in all cases exist, although, of course, it would materially be reduced by judiciously splitting up your loans and applying for each for a term roughly approximating to the estimated life instead of widely differing from it. With regard to the question of the form of accounts, at all events when one is dealing with trading departments, we are, of course, to a large extent hampered by a prescribed form; but what I particularly referred to when I said we could not get the figures we wanted out of the published accounts was that we cannot get our capital expenditure so stated and classified that it is perfectly clear what is the estimated term of life for each group of assets, or what is the exact term for which we have been able to borrow for each definite section of the capital expenditure. In some cases the capital expenditure goes on accumulating, so that where assets are discarded they are not taken out of the capital expenditure, but the renewals are added to them. Of course, you get it on both sides of the account, and it does not disturb the balance; but the actual figures, of course, in that way represent something rather different from what one would expect, and the information is not sufficiently clearly given in the published accounts to enable one to know whether the capital expenditure represents assets still in existence, or assets which have been discarded and paid for, and which, therefore, are done with in every sense. With regard to the question of railway accounts, which someone asked, the provision, I think, that railways must provide for renewals out of revenue comes in the statutory form of accounts, and I think it is also covered by the statutory form of auditor's certificate, which requires him to say that, in his opinion, the dividend proposed to be declared has been *bonâ fide* earned out of revenue. With regard to the points that Mr. Bowers raised, I am not sure that those are not mostly political questions rather than questions of accounts. I rather doubt the expediency of considering what would be the probable effect of deciding upon a particular line of conduct in connection with accounts before you make up your opinion. I feel sure the proper way to get at a right conclusion on any question of accounts is to really work it out on its merits and then let

the consequences be what they may. If we work it the other way round, and first consider the possible effect, it is bound to warp our judgment to some extent. But with regard to the possible future position, that our local authorities may stand free of debt and therefore be free from the control of the money market, we are no doubt a long way off that; and I think we shall always be a long way off it, because there will always be extensions and developments going on for which additional borrowings would be necessary. I do not imagine that one would ever get to the time when a local authority will own its undertakings free of debt, but the tendency at the present time seems to be for the debt to accumulate at a far more rapid rate than that at which the resources of the neighbourhood enlarge, and that, of course, makes trouble. As to the possibility of paying off capital by a special charge against revenue, directly made for that purpose, I do not suggest a 1 per cent. charge. I think a 1 per cent. additional charge would be too onerous. I suggested either a ½ per cent., which would take 69 years, or a 4s. per cent. rate, which would take 100 years. Even the ½ per cent. rate would not, I think, really be a very onerous increase in the rates as a rule. After a few years, at all events, I feel sure the relief would be felt by the present generation in a reduction of the terms upon which future borrowings could be effected. One point that I think has always tended to make difficult any discussion at close quarters of the accounts of local authorities is that directly you put your finger upon one thing and say "In this respect you are not acting so strictly as business concerns," you are met by the answer, "Yes, but in some other respects we are "required to act more strictly, and upon balance we are more "strict than business concerns are." Well, it is very difficult to say what is the balance between these various items. If it were the custom for the accounts of local authorities to be framed upon what we call ordinary business lines, and for the provision for repayment of loans to be made by way of an allocation of ascertained net profits, instead of being charged up against revenue before you arrive at so-called profits, one would be upon much clearer ground, I think, all round, and a comparison which might be useful to the management of both classes of undertakings could then be made without any fear of doing an injustice to either. (Applause.)

Mr. T. E. Milward proposed a vote of thanks to Mr. Dicksee for his interesting lecture, and Mr. A. E Veale, in seconding the motion, said that a lecture on such a subject was interesting at any time, but it was especially so just now, when so much was heard of reform in the air in connection with the London County Council. It was also particularly interesting to this Society as accountant students, because it was a subject on which they must of necessity have information if they were to hope to get through their examinations and be of any good as accountants in future.

The motion was carried unanimously, and Mr. Dicksee briefly acknowledged the vote.

Mr. R. Kettle proposed a vote of thanks to Mr. Keen for presiding, which was seconded by Mr. Dickie and carried, the name of Mr. Cash being incorporated in the vote at the request of Mr. Bowers, who said that gentleman had come to the meeting at very short notice in order to take part in the discussion.

The Chairman: I am much obliged to you. It is a great pleasure to me to be here, and anything I can do in assisting you in forming your opinions, and perhaps at the same time forming one's own—because there is nothing like discussing these matters for coming to right opinions—I, for one, am very glad to do. I hope we shall all form right opinions and be able to retain them, and that even after the lapse of time they will remain good. It just occurs to me to remind you that some time ago Lord Westbury had a case brought before him of a question of breach of trust. It was argued before him at some length, and he expressed the distinct view that there had been a breach of trust, and that it had continued for twenty-five years, and the trustee would have to make good the loss to the estate. They had got to that point, when counsel who had been arguing the matter intervened, and with due submission reminded his Lordship that the party at the time—twenty-five years' before—when starting on his wrong career, had been advised by counsel. The Judge asked: "What counsel?" Whereupon counsel got his papers out, and after looking through them, said: "I find it was Mr. Bethell, my lord." Well, Mr. Bethell had become Lord Westbury, and his only reply was: "It shows "the folly of taking opinions from these young inexperienced "men." (Laughter.)

Mr. Cash also acknowledged the vote, remarking that it had been a great pleasure to him to see Mr. Keen in the chair, for that gentleman had had exceptional experience in this class of work. (Applause.)

The proceedings them terminated.

Northern Institute of Chartered Accountants.

Twenty-Fifth Annual Report and Accounts.

At the annual meeting, held in the Library, 13 Grey Street, Newcastle-upon-Tyne, on the 8th February 1907, the following annual report and accounts were adopted by the members:—

The Council have pleasure in presenting the twenty-fifth annual report to the members.

The accounts for the year show a balance in hand at 31st December 1906 of £20 7s. 6d.

The present membership consists of 25 Fellows and 29 Associates. The Council would again urge all local members of the Institute whe are not already members of the Northern Institute to become subscribers.

Several new books have been purchased for the Library during the year.

The Northern Chartered Accountants Students' Society have again had the free use of the Library for their classes, meetings, and lectures. A useful and instructive syllabus for the 1906-1907 session was arranged as follows:—

1906

Oct. 10.—Presidential Address. Mr. F. C Squance, F.C.A.

,, 19.—Lecture, "Deeds of Arrangement." Mr. Tinsley Lindley, LL.D.

,, 31.—Joint Debate with Hull Chartered Accountants Students' Society at Newcastle-upon-Tyne. The Hull Society will send three representatives to take part in the debate.

Nov. 14.—Lecture, "The Criticism of Accounts." Mr. W. R. Hamilton, F.C.A.

Dec. 13.—Third Annual Dinner.

,, 19.—Lecture, "The Preparation of Certificates by Chartered Accountants for Purposes of Joint Stock Company Flotations." Mr. A. F Dodd, F.C.A.

1907

Jan. 10.—Joint Debate with Leeds Chartered Accountants Students' Society at Leeds.

,, 17.—Lecture, "Builders' Accounts." Mr. John A. Walbank, A.C.A.

,, 23.—Debate with the Newcastle-upon-Tyne Law Students' Society.

Feb. 13.—Lecture, "A Dip into *The Accountant*." Mr. J. G. Nixon, Junr., A.C.A.

,, 20.—Hat Night.

Mar. 6.—Lecture, "Cost Accounts for Small Manufacturers." Mr. M. Webster Jenkinson, A.C.A.

April 3.—Third Annual General Meeting.

The Council had the pleasure during the year of presenting to Messrs. J. G. Boss, Junr., E. W. Ismay, and J. H. Morton, the certificates of merit awarded to them at the Final Examination of the Institute held in December 1905 and June 1906. At the Final Examination, held in December last, two local students, Messrs. J. G. Cross and F. V. Spark, were also awarded certificates of merit.

As the members are aware, the Council of the Institute of Chartered Accountants were invited to hold an Autumnal Meeting in Newcastle-upon-Tyne in 1906. The Council could not see their way to accept the invitation for 1906 but have intimated their willingness to hold an Autumnal Meeting here this year. A Special Committee will be appointed to carry out the necessary arrangements, and your Council trust that the members generally will do their utmost to make the Autumnal Meeting a success.

The following members of the Council retire in accordance with Rule 23:—Messrs. R. H. Holmes, E. Sparks, and T. Wallace.

The Honorary Auditors and the Hon. Secretary and Treasurer also retire, but are eligible for re-election.

A Statement of the Receipts and Payments for the year has been audited, and is now presented.

W. C. Forster,
President.

William Rose,
Hon. Sec. and Treas.

Newcastle-upon-Tyne,
February 1907.

Statement of Receipts and Payments for the Year ended 31st December 1906.

Receipts

	£ s d	£ s d
To Balance in Bank		18 16 7
,, Subscriptions to Date, as per Subscription Book:—		
25 Fellows at £1 1s. 0d.	26 5 0	
29 Associates at 10s. 6d.	15 4 6	
	41 9 6	
Add Arrears	0 10 6	
Subscription in Advance	0 10 6	
		42 10 6
,, Entrance Fees:—		
2 Fellows at £1 1s. 0d.	2 2 0	
4 Associates at 10s. 6d.	2 2 0	
		4 4 0
,, Allowance from Parent Institute, towards maintenance of Library (1 year) to 31st December 1906		30 0 0
,, Fees for Presiding at Examinations		25 4 0
,, Fees charged for use of Library..		2 2 0
		£122 17 1

Payments

	£ s d
By Rents, Rates, Gas and Caretaker, &c.	53 1 1
,, Printing, Stationery, Postages and Sundries	7 15 6
,, New Books, Binding Books	12 6 0
,, Fees for Presiding at Examinations	25 4 0
,, Honorarium to Librarian	2 2 0
,, Expenses of Autumnal Meeting	2 1 0
,, Balance in Bank	20 7 6
	£122 17 1

Audited and Certified.

Herbert T. Rosevear, A.C.A
Thomas Vasey, A.C.A.

Newcastle-upon-Tyne,
18th January 1907.

The following officers were elected, viz.:—

Vice-President—Mr. J. A. Sisson.

Hon. Auditors—Messrs. H. T. Rosevear and T. Vasey.

Hon. Secretary and Treasurer—Mr. William Rose.

The Council, with the members of the Institute whose names are given below, were appointed as a Special Committee (with power to add to their number) to carry out the necessary arrangements in connection with the forthcoming visit of the Institute of Chartered Accountants to Newcastle-upon-Tyne in October next:—

Messrs. T. G. Bowden, T. C. Martin, J. Miller, W. B. Ormond, R. P. Winter, and E. J. Wilkinson.

Mr. John H. Armstrong was unanimously elected President at the adjourned annual meeting, held on Tuesday, the 12th February 1907.

At a meeting of the Council, held on Tuesday 12th February 1907, Messrs. Edward Sparks and T. Wallace were elected to the two vacancies on the Council.

The Chartered Accountants' Golf Club.

Chartered Accountants' Golf Club v. London Solicitors' Golfing Association.

The above match will be played at Richmond (by kind permission of the Mid-Surrey Golf Club) on Wednesday the 17th April, at 2.30 p.m. The following will represent the Accountants:—

(1) J. G. Fowler (Captain).
(2) T. G. Mellors.
(3) V. Manley.
(4) A. R. King Farlow.
(5) J. W. Barber.
(6) H. Kidson, Junr.
(7) H. F. Turner.
(8) W. F. Mapleston.

Tournament.

Result of Third Round.

S. C. Leonard	beat	L. Gruning, 1 up
W. W. Read	,,	D. Hill, Junr., 5 & 3
A. R. King Farlow	,,	E. I. Husey
J. Harris	,,	H. Wingfield, 3 & 1
H. Kidson, Junr.	,,	S. P. Derbyshire
J. Lordan	,,	A. J. Kelleway
A. P. Ford	,,	D. Hill

The remaining heat, J. W. Barber *v.* D. Forde, has not yet been decided.

Reviews.

Municipal Rating and the Collection of Rates.

By A. James Pearce, A.C.A.

London, 1907: Gee & Co., 34 Moorgate Street, E.C.
Price 5s. net.

While primarily intended for students of this branch of municipal finance, the small volume now before us will no doubt be found useful to those responsible for the collection of municipal rates, while the author's position as chief assistant to his father, the Borough Accountant of Ipswich, has no doubt given him ample opportunities of fully considering and studying his interesting subject. To the general reader the charts showing the weekly progressive collection of rates, comparing one district with another, and each district with the normal, will be found of considerable interest, and the idea is, of course, equally applicable to all classes of collections where payment is due on a fixed date. The work is divided into three parts, dealing respectively with Rating, the Collection of Rates, and the Checking of Rate Collections. An adequate supply of forms is appended, and the necessary explanations are as clear as could be wished. A useful Index adds to the completeness of the volume.

The Commercial Organisation of Engineering Factories.

By Henry Spenser.

London, 1907: E. & F. N. Spon, Lim., 57 Haymarket, S.W.
Price 10s. 6d.

Some ten or eleven years since Messrs. Spon issued a very interesting work on the commercial organisation of factories, which at that time dealt with a practically novel subject. Mr. Spenser's work follows much upon the same lines but is considerably condensed, amounting as it does to only some 220 pages. In the meantime, however, matters have not stood still, and Messrs. Spon have no longer the field to themselves. The object of the writter is apparently to deal with things as they are, rather than as they should be, and from some points of view there is certainly a good deal to be said for this attitude; but, however much it may add to the value of the work from the point of view of those for whom it is primarily intended, it certainly cannot be said to increase its interest to the student of accounting, who prefers to set before himself a somewhat high ideal, even although he may know that under present conditions it is impossible of attainment. One of the longest chapters is that dealing with the

Costs department, and this contains a good deal of interesting information. On the subject of Establishment Charges, however, it cannot be regarded as particularly helpful.

Bookkeeping.

By CALDER MARSHALL, SON, & IBOTSON, Chartered Accountants.

London, 1907: Cassell & Co., Lim.

In further adding to the already long list of works in existence upon this subject, the authors put forward as their justification for so doing that, although the principles of bookkeeping remain unchanged, the application of those principles is being constantly developed to meet new requirements. It has been their aim, therefore, to omit all obsolete forms, and to include the most modern methods, while they are apparently of the opinion that any principle of bookkeeping can be more effectively illustrated by one or two examples fully explained than by the needless repetition involved in a lengthy series of similar transactions. The work is said to be primarily intended as a handbook for use in schools and business training institutions. We doubt, however, whether it will be found to have been sufficiently interestingly written to supply the opening that undoubtedly does exist for a good school text-book. So far as business training institutions are concerned its chances of success appear to be more hopeful, but it includes much that will be quite unnecessary to the average bookkeeper, and where alternative methods of accounting exist, we are not altogether satisfied that the most desirable have been adopted. The exercises appended, which extend over some thirty pages, add materially to the value of the work for scholastic purposes.

The City of London Directory, 1907.

London: W. H. & L. Collingridge. Price 12s. 6d.

The thirty-seventh annual edition of this directory, just published, contains valuable information in regard to the City of London, the Corporation, the Livery Companies, and other public bodies responsible for the government of Greater London. Much of the exclusive information for which the work is celebrated is impossible to obtain before March, and in consequence of this the work is not published earlier in the year; there is, however, another advantage in the date of publication in that it enables the editor to record as far as possible the Christmas and New Year's removals, a distinct advantage to those having business relations in the centre of the world's commerce. The present edition contains all the old and valued information which gives it a high and unique position as a book of reference. One of the most important features of the work is the large coloured map, in which all the alterations in the streets of the City during the last twelve months have been carefully recorded.

How to Begin an Audit.

By GEORGE WILKINSON, C.P.A.

A LECTURE delivered at the New York University School of Commerce, Accounts and Finance, February 5 1907.

The subject upon which I have been requested to speak to you to-night is not how to *conduct* an audit, but how to *begin* one. My endeavour, therefore, will be to give you some useful hints as to just how best to get started, together with some advice that is more general in its character. The paper might be divided into three chapters:—(1) How to begin a complete audit; (2) how to begin a limited audit; and (3) how to begin a bank audit. The methods to be used in beginning an audit necessarily vary considerably with the conditions, with the nature of the business, and with the size of the concern, also with the object sought. The auditor of experience will learn, when receiving his client's instructions to do the work, just which kind of an audit he is required to make, while the young auditor, acting as a clerk, will be instructed by his employer just what to do.

We will assume, as the hypothesis on which these suggestions are offered, that you have accepted a position as a qualified senior assistant in the office of a firm of public accountants, that your employers are so situated that it is impossible for a member of the firm to go with you to take up the work, and, as a consequence, you are thrown on your own responsibility.

1.—How to Begin a Complete Audit.

Your firm has been engaged, we will say, by the directors of a certain company to make a thorough audit of the business. No specified instructions have been received, and nothing is fixed except the daily rate of remuneration. While it is essential to be thorough, it is equally important that no unnecessary work should be done, to the end that the charge may be reasonable.

You will begin by counting the cash on hand. This may be made a trying ordeal, or a pleasant process, according to the way in which the matter is handled. As for the trying ordeal, let us see how it looks from the point of view of the faithful old cashier, "Honest John," who has been twenty-five years at his post. He is honest and he knows it. He understands his business and he does his duty, as he sees it. Through constant travelling over the same narrow way he has worn himself into a rut; his viewpoint being confined, he has grown mentally shortsighted; his office associates

think he is "cranky," but the truth is that he feels his shortcomings and is sensitive.

On a busy day, in the middle of the morning, in pops a dapper young gentleman, full to overflowing of vitality, animal spirits, and modern ideas—the much advertised *modern system expert*. The poor old cashier's desk appears to be littered up with papers, with some currency here and there; the cheques he has received in the morning mail, with the accompanying letters, are in a little pile by themselves, and two or three memoranda, under a paperweight, are there to remind him of currency paid out during the morning but not yet entered in the Cash Book. "Honest John," faithful old fellow, can enter all these and balance his cash to a penny, in his own way, if given a chance. The time he usually chooses for his balancing is between five and six, after the day's rush is over, when the boss has gone home and the constant round of interruptions is at an end.

But here comes the modern system expert, all aglow with enthusiasm, instinct for the discovery of irregularities, bristling with aggressiveness. He insists on counting the cash immediately, and will do it himself unaided. Jumped on thus unexpectedly, there is small wonder if "Honest John" "goes up in the air." The expert counts his currency and lists his tickets. The total reached, he turns to the Cash Book and finds that the cash does not agree with the balance. Really now, how could he expect that it would? The "expert" starts in wrong and antagonises a most useful man from the first, for he makes a note that "the cash was out of balance," and, in his aggressive hurry, he passes on to the next matter.

In the foregoing I have tried to depict to you how not to do it. Now, as to how to begin an audit, and begin right.

Before counting the cash, ascertain what time in the morning the office is open, and be on hand to count the cash first thing. Let the cashier himself handle the money, while you see it done and note down what the drawer contains. Treat the cashier with as much respect as if he were the proprietor; concede his point of view. Take him at his own estimate meanwhile, and don't be in too much of a hurry to find something wrong. If the cash does not quite agree with the balance called for by the Cash Book, make a note of the factors used and then ask the cashier to determine the difference and let you know.

Now, in counting the cash on hand in a commercial business, or manufactory—in fact, in any office except a bank or trust company—count the actual money first and make a memorandum, then take the tickets, vouchers, or other evidences of payment, adding information in regard to them to your memorandum. When this is done see that the cash drawer does not contain any more money. There might be an envelope containing some money that was "over" on previous occasions.

Whatever conditions you find in the cash drawer accept them as they are, in the first place, and take steps to better them afterwards. Don't give the cashier a lecture on how to do his work right off, but reserve your advice until you are better acquainted with the necessities of the case. Of course, if the cash is not right, you must report the fact promptly to your employer, or, if he is not available, you should report at once to your client.

When the count of the cash is complete put your own footings in the Cash Book in red ink and write in the words "Auditor's Footings," stating the date and signing your initials. The next thing to do is to verify the Cash Book additions from the first day of the current month.

Next comes the Bank Account, or Bank Accounts. In a regular audit, where your firm has made the audit annually for some years, it will suffice if you verify the cashier's last reconcilement with the bank. In new audits, especially if there seems to be room for any doubt, it will be your duty to send the Bank Pass Book to the bank and have it balanced eepecially for your audit. When the Pass Book comes back have it delivered to you with the paid cheques and proceed at once to make your own reconcilement, independently of the cashier.

But the Pass Book will not be ready for a day or two, so in the meantime you can take up the next matter. In a small business, where the cashier keeps the books, it will be well to examine all the paid cheques, comparing the names and amounts with the stubs and scrutinising the endorsements. It will also be necessary to compare the entries in the Cash Book with the Cheque Book. This work can well be done, or at any rate begun, on the first day. In a larger office, where the bookkeeper has nothing to do with the cash, it will not be necessary to compare all the paid cheques. A portion of the period, if tested thoroughly, will be enough. In a large office it will be impossible to examine the paid cheques on the first day.

All cancelled cheques should be accounted for. They should either be filed with the paid cheques, or preferably that portion of the cancelled cheque which bears the printed number should be pinned or pasted to the stub. See that all cancelled cheques have been so treated. Then turn to the end of the Cheque Book and see if any cheques have been taken out and not accounted for.

The next thing to do, after counting the cash on hand and verifying the current month's additions in the Cash Book, and checking the bank reconcilement, is to call for the Bills Receivable. At the same time ask for a list of these. If a list is not to be had you can make your own. Examine all the notes carefully; include on your list the names of the makers, the due dates, and any other pertinent information. If any notes are secured, state in what manner.

It is well to tackle the vouchers as soon as you can, because you learn a great deal about the business you are auditing by scrutinising these. In a large office it will be impossible to

examine all the vouchers on the first day, possibly not any; but it is very desirable to get next to the vouchers at once. Have them brought out; see what shape they are in; map out the work you intend to do on them, but do not neglect other more pressing matters to audit the vouchers on the first day.

In the absence of a voucher system, receipted bills may be offered as evidences of payment. In a small office it is well to make the examination of these parts the first day's work.

In the foregoing suggestions we have mapped out enough work to occupy all the first day, unless the business is very small, or unless you have an assistant. But there is one other matter I would like you to take hold of on the first day and that is the Trial Balance.

Ask the bookkeeper for the latest Trial Balance, and look at the end of the recapitulation to see if it does balance. If it doesn't balance, look at the previous one, and ask the bookkeeper what he has done to find the discrepancy. Take a look through the General Ledger, scanning the accounts and making a memorandum of the pages and names of the accounts you will analyse, such as Merchandise, Manufacturing Expense, Interest and Discount, and the like. In looking hastily over the Trial Balance see what controlling accounts there are which call for subsidiary Trial Balances, such as "Customers' Ledger," "Sundry Creditors." Ask for the subsidiary Trial Balances for these and look at once to see if they agree with the controlling accounts in the General Ledger.

All of the foregoing suggestions are offered for your guidance in starting a complete audit of a trading or manufacturing company.

II.—How to Begin a Limited Audit.

The procedure in this case is radically different. Your client is not the proprietor and has a certain definite purpose to accomplish. He wants to know the condition of the concern and the net earnings derived from the business; he also wants to know that the truth is told in the books of account—the official history of the business. The counting of the cash, the verification of the bank accounts, the checking of the vouchers, can all be dispensed with in favour of doing something that will lead at once towards the end sought.

If your letter of introduction is addressed to the president of the company, he will turn you over to the secretary, with instructions that the latter should afford you every facility. The first question the secretary will ask you is, "Well, sir, where do you want to begin?" The first thing I would ask for is a place to work, and then the General Ledger, Journal, and Trial Balance Book. Turn at once to the last recorded Trial Balance—look at the end of the recapitulation to see if it balances—and begin immediately to dig into the principal impersonal accounts. Take a preliminary look through the General Ledger, noting the work you have to do and the further information you need. Make an exact copy of the Profit and Loss Account as it appears in the Ledger. This is to serve as the first link in the chain of identification between the books and your report. As your copy of Profit and Loss Account grows, fill in, on your sheet, all the particulars you learn from the Journal entries. As you do this, you should make a memorandum of the folios and names of accounts you intend to analyse, or from which you must draw further information. On another paper make a list of things you want to get from the secretary of the company or from the bookkeeper.

Long before noon you will have finished your copy of Profit and Loss Account, and will have two sheets of paper running somewhat like this:—

Work to be Done.

1. Make an analysis of Merchandise Account, p. 8.
2. Period to be covered—last three years ending 31st October.
3. Make an analysis of General Expense Account, p. 67.
4. Make an analysis of Salaries Account, p. 73, showing separately officers' salaries, salesmen, bookkeepers, clerks, &c.
5. Verify the sales from the books of original entry and make a schedule of monthly totals.
6. Analyse "Interest and Discount Account," p. 84, showing separately (*a*) interest on borrowed money; (*b*) cash discounts; (*c*) dividends received on investments.
7. Look up the minutes of directors' meetings in respect of dividends declared and the authority for increasing President's salary.
8. In verifying Customers' Ledger Trial Balance, make a schedule of delinquent accounts, and so on.

The other list will read in this order:—

Information Wanted.

1. Annual inventories on 31st October 1904, 1905, and 1906.
2. Schedule of bills payable outstanding on 31st October 1906.
3. List of shareholders at present time with their addresses, and number of shares held by each.
4. Particulars of mortgages, stating due date, number of bonds, trustee, rate of interest.
5. Schedule of insurance policies in force, stating annual premiums and dates expiring.
6. Why were the books closed on 30th November 1904 instead of 31st October?—and so on.

When the secretary comes to ask you if there is anything you will need during the next hour, because he is going out to lunch, you can hand him your second list and continue on another sheet.

In conducting a limited audit always make a start by digging right into the vital part of the records, postponing all checking and verifying until later. By doing so you will give the impression that you know what you want and

where to get it. This will help you throughout your work and earn for you the co-operation of your client and his employees.

III.—How to Begin a Bank Audit.

The first day's work in auditing a commercial bank presents some peculiar features, and needs very close application and watchfulness. In the first place, the work should begin in the evening and not in the morning. As said earlier on, it is most desirable to begin well, to impress the officers and employees of a bank with the idea that you know your business. The auditor should therefore study carefully what he is going to do on the first day, arrange the work so that each member of his staff knows just exactly what to do, and how to go about it.

The executive officer of a bank is generally the cashier: to him you must address yourself immediately upon your arrival. In order to make a good start, in auditing a medium sized bank, it is well for the auditor to arrive at the banking house with three or four assistants, at a little before the close of business, the day of the audit. You will remember that the books of a bank are balanced every day, and you can drop in any evening and begin an audit. Request the cashier to instruct the general bookkeeper and the tellers to remain at their posts until the cash count has been completed and the total agreed with the Ledger balance.

Ask the cashier to designate a member of the bank's regular staff, one who is accustomed to handle money and yet is independent of the tellers, to help you count the reserve cash in the vault, An officer of the bank should be present all the time the cash in the vault is being counted. Secure from the cashier the names and designations of each of the employees who handles money.

Ordinarily the cash will be found in the hands of:—

(1) The cashier, or possibly the assistant cashier, who will have charge of the reserve cash, which may largely consist of gold certificates.

(2) The paying teller will have most of his cash with him in his cage, but he may have some cash in the vault.

(3) The receiving tellers will have the currency that they have taken in during the day, and such cheques as they have not turned over to other employees of the bank. The bulk of cheques and drafts, received from depositors during the day, will have been turned over to the clearing house clerks. These are called "clearings."

The principal in charge of the audit, or one of his senior assistants, will go at once to the cashier or assistant cashier (whoever keeps the reserve cash) and will count this cash, making a memorandum of all particulars. If this reserve cash cannot be counted at once, it must immediately be sealed up until it can be counted.

The principal (or preferably the accountant most skilled in counting money) will go at once to the paying teller's desk and will count the cash in his hands, directly the teller is ready. He will also count the cash held by the paying teller in the safe (if any). He will make a memorandum of particulars. Give the teller time to make his own regular evening balance of his money.

If it should be found that it is quite impossible to complete the count of all the cash on the first day, some of the large unbroken packages of money may be put away until the next day in a safe, but must be sealed up by the principal. It is, however, far better to count all the money on the first night, however late it keeps you.

The auditor's first assistant will go at once to the first receiving teller's desk and will count the cash in his hands as soon as this teller is ready, taking full particulars. The receiving teller's balance must agree with his tally sheet.

In counting the cash, count the real cash first, leaving the cheques and "cash items" (tickets, &c.), to be examined and listed afterwards. After all the actual cash has been counted, examine very carefully all cheques, tickets, due bills and other substitutes for cash (called "cash items"). Make a careful list of these "cash items," stating full particulars, dates, names, &c., and if O. K.'d, by whom; if not O. K.'d, say so. In counting the cash, take care that the teller does not handle any of the money after you have counted it, until you are all through. In order to prevent this, place the cash that has been counted beyond you and out of the reach of the teller. Do this diplomatically, so that it will not give offence. It would do just as well, if the teller prefers it, to have all the money emptied out of the drawer on to the desk, and then count it back into the drawer, or into the teller's cash box. Do not allow a teller to pass any money out of his cage to any employee outside. In like manner do not permit the teller to receive any money from anyone outside of his cage, except (in case of necessity) from the cashier of the bank. See to it that the teller does not absent himself on any pretext whatever while his cash is being counted, and that he keeps his attention on the matter in hand. Do not let him leave you alone with his money.

In counting the cash you may accept (temporarily) sealed packages of notes and of coin for the amounts that the labels or outside markings call for. Set these aside to be taken up for closer examination, after the count of the cash has been made, but before leaving the teller's cage.

In the East you will find the cash on hand to be most largely paper currency; but in the Western States you will find large quantities of gold and silver. This is generally done up in large bags and labelled. Where the bills are of large denominations ($5 or more) they must all be counted. Packages of small denominations should be tested, but need not all be counted. Money packages bearing unbroken the seal of another bank (where the teller has never counted the money) may be accepted at their face (endorsed) value, but it is well to watch the dates these packages bear. Count

the loose notes and gold yourself, but you may allow the teller to count the loose silver coin, and stack it in piles before you; in this case, content yourself by counting one stack and comparing all others of like denomination with that one.

Use the scales so far as practicable to save the actual counting of coin, especially in reserve cash, and in handling bags containing large quantities of silver and gold. If there should be several bags of gold or silver coin, labelled to contain the same amount each, weigh them against each other and count only one bag, for which you should choose the bag that weighs the lightest. Fractional gold and silver weigh lighter than large coins; for instance, a bag containing $5,000 in double eagles will weigh a good deal more than the same amount in fives and tens.

All bags of money must be opened, so as to see that they really do contain money and not lead. Bags of money bearing the unbroken names and seals of other banks may be accepted at their marked value, but watch to see that the value is reasonable and that the seals have not been broken. The practice of allowing sealed bags of coin to circulate between banks, without being opened, does not obtain in the Western States.

Make a classified summary of the cash count, including everything that enters into the Cash Account. The total of the cash, in all the bank put together, must equal the balance of "Cash Account" on the General Ledger, the amount of which will be supplied by the bookkeeper. The proof of this must be arrived at the first night.

Cheques on other banks that are of current date are listed by the clerks of the bank at the close of the day, and are known as "clearings." Cheques on other banks that are found in the hands of the tellers must be listed, showing the date, the names of the drawers and endorsers, the banks drawn on and amount, also why they were not put through.

A printed form of verification should be sent to each clearing-house bank, with the "clearings" in the envelopes regularly used by the bank. The auditor will seal up each envelope with his own seal and will take a list of the total amounts of the day's "clearings" (thus sealed up), stating name and clearing-house number of each bank and the total amount in each envelope. There is no necessity to go into the particulars of what these envelopes contain. The circular letter enclosed with the "clearings" will serve as an acknowledgment from each bank, as it will come back the next morning, stating that the contents of the envelope were entirely correct and have been accepted by them in full for the amount named in the letter.

The principal will place his seal upon the boxes, wallets, or other receptacles containing (*a*) discounted bills; (*b*) securities owned by the bank; (*c*) collateral held by the bank on loans. These will remain under this seal until the second day, when they can be examined and listed at leisure.

All the work described above should be done on the first night, say between 3 p.m. and midnight.

Certain other work of great importance must be done the first day of auditing a bank. The General Ledger must be balanced; the balances on the Depositors' Ledgers should be drawn off and the total agreed with the controlling accounts in the General Ledger. Statements should be sent to banks having deposits; letters should be written to depository banks requesting special statements up to date, and notices should be mailed to every bank throughout the country to whom drafts and cheques have been sent for collection and on which no returns have been made.

(*Journal of Accountancy*, N.Y.)

A Cure for Municipal Extravagance.

The following is the letter referred to in our Weekly Notes:—

To the Editor of *The Times*.

Sir,—Much has been written about the extravagance of municipalities. Critics without number have denounced the wanton waste of borough, city, and county council authorities, but no one has pointed out the main root of the evil, much less the cure. A critic's task is always a comparatively easy one. It is not, for example, difficult to denounce the purchase or building of costly tramways, of Thames steamboats, of palatial workhouses and town halls fit for the palaces of kings, of marvellous marble-lined Turkish and Russian vapour baths, as at Camberwell. But it is the cause, and afterwards the remedy, for these financial sins that the members of the municipalities should endeavour to understand and apply.

Municipal finance and expenditure is a dreary subject, and it is always difficult to make it interesting. But the municipal debt in Great Britain is now so vast, the rates so enormous, and the consequent injury to investors and to trade so great, that all useful contributions to the question should be welcome, especially when, as in the present case, something more than mere theory will be presented, and a concrete actual instance of a cure for municipal waste exemplified.

Waste in municipal affairs primarily arises from the improper method in which the accounts are kept, and this statement will be proved to be true.

The method of keeping the accounts of the municipalities is founded on certain well-known Acts of Parliament, the chief of which is the Municipal Corporations Act of 1882, and this, in dealing with accounts, provides:—

Section 28.—The town clerk shall make a return to the Local Government Board of receipts and expenditure for each financial year.

Section 2 provides for the time and mode of election of an elective auditor or auditors. They need not necessarily be trained accountants.

Section 27 provides that the treasurer shall within one month from the audit to which he is required to make up his accounts in each half-year submit them with the necessary vouchers and papers to the borough auditors, and they shall audit them.

Cash and Loan Accounts are the only accounts which are required to be kept.

It will be seen that nothing is provided beyond the old Chancery system of "charge and discharge." In other words, accounts "showing receipts and expenditure," and the recording of loans; beyond this the municipal treasurer's account of cash received and cash paid is all that the law requires.

Now what business man, be he a manufacturer, a merchant, or a banker, would be satisfied with a series of Cash Books?—for, speaking generally, this, in essence, is all the books that municipalities keep, excepting in places where special Acts dealing with audit have been obtained. Of course, municipalities have also Ledgers, which are little or nothing more than abbreviated copies of Cash Books over again. Cash Books only show cash received and cash expended. They give no particulars of purchases or sales, no synopsis of expenses for comparison, nor do they provide Trading Accounts. They do not show any record of outstanding commitments or liabilities, or of ordinary debts owing to or by the municipality. Real assets, whether in stocks, plant, machinery, or otherwise, are not periodically recorded or valued, and when depreciations are made they are not properly explained. Capital is seldom correctly divided from revenue. But in the present state of the law, if the treasurer can produce a Cash Account with a voucher for each item of expenditure, he gets his quittance, and everything is supposed to be for the best in the best of all possible municipal worlds.

Municipalities do not require an Act of Parliament to introduce accurate and modern bookkeeping. They can still, and in fact must, keep a record of the cash they receive and spend; but they should get the best outside expert assistance and revise their accounting in such a manner as to provide everything which it has been shown by the foregoing paragraph they have not.

To do this it is not desirable to seek "tenders" from Chartered Accountants to perform this important work. It is not customary to invite tenders from physicians when you desire to be cured of sore disease; you rather employ the best specialist you know, and count his fee well expended if he effects a cure. The municipalities of England are financially very badly diseased at the present time. It is all very well to talk vaguely of reform. A much better thing would be to learn how that reform may be immediately commenced, and the rates quickly reduced. The alteration of the bookkeeping of the municipalities is a work of time, and in no case can it be carried out under six months; and it may often occupy twelve months of careful inquiry and investigation before a complete scheme suited to the requirements of a particular municipality can be prepared and passed by the various finance committees and endorsed by the full council.

But there is an immediate way out, and that this is so will now be shown.

Although the system of "charge and discharge" cannot be too strongly reprobated, because of the poor amount of information it gives to those who have the control of the finances, and because of its omissions causing incomplete expenditure and receipts constantly to overlap, thus making the return for a single year practically valueless, yet, if an intelligent examination of cash received and paid by a municipality be made over a period, say, of seven years, results will appear which, under the doctrine of averages, become of real value. The immensity of the rates of this country is now so terrible an evil that even this method of finding out the causes of waste, though not perfect, should be adopted in every city, borough, and county council without delay.

One example where success in this direction has crowned the efforts of a municipality is worth pages of precept; and that example may be found in the affairs of the City of London Corporation.

The revenues of the City are derived from two sources—that called the "City's cash," and the rates. The "City's cash," generally speaking, is the revenue of the City derived from properties belonging thereto, and from markets which they control. A large income is also obtained from properties left to the City for the erection and maintenance of its bridges. It is out of this latter that the Tower Bridge was built, London Bridge recently widened, and that the expense of the improvement of Blackfriars Bridge is to be provided. The building of these bridges has cost the ratepayer nothing; but it is not proposed now to deal with the particular accounts relating to them, eminently satisfactory though they be.

With regard to the "City's cash" generally, the average excess of expenditure over receipts from 1896 to 1903 inclusive was £10,282 per year. The actual figures for 1903 were: Receipts, £500,933; expenditure, £510,804, or a deficiency of £9,871. In the years 1904 and 1905 this position was reversed as follows:—1904—receipts, £505,278; expenditure, £490,006; surplus, £15,272; 1905—receipts, £514,529; expenditure, £485,256; surplus, £29,273; and for the year ended December 31 1906 there is a further surplus of £19,961.

The first step to cure the deficits was taken in the Court of Common Council on April 15 1901, when the Court ordered their chief Finance Committee (still known by its ancient name of the Coal and Corn and Finance Committee, although coal and corn dues have been abolished) "to consider and report generally on the finances of the Corporation, with a view to economy in the administration of the same"; and in pursuance of this reference, this Committee sat on many occasions over a period of several months, with the result that they presented a report on May 21 1903 upon which the subsequent finance of the City has been founded, and to which is due the surplus of 1904, 1905, and 1906, and also, though indirectly, and through the general feeling for reform and wise economy which it inculcated, the reduction by no less than one-third of the City rate proper made in January 1907.

The first thing emphasised in the report was a standing order which, with a subsequent amendment, now reads as follows:—

(83) No proposal (other than the grant or renewal of leases) shall be entertained whereby the funds belonging to or under the control of the Corporation may be in any manner charged or affected, beyond the sum of 100 guineas, until the expense, or financial effect thereof or an estimate thereof, shall have been first submitted to the Coal and Corn and Finance Committee, and that Committee shall have reported to the Court; and no Committee or officer shall take action to commit the Corporation to any such expenditure until the Court shall have agreed as to the means of carrying the same into effect; and the Chamberlain is directed to refuse payment of any order or warrant drawn in contravention of this standing order.

The Coal and Corn and Finance Committee, when considering references as to the provision of funds for various objects agreed to by the Court, shall also report, if thought by them desirable, their recommendations and suggestions on such proposal.

And the Committee strongly recommended that, except under the most special circumstances, this standing order should not be suspended. To this the Court agreed, and the result has been most beneficial. Hysterical and sudden voting away of money by the whole Court is now deprecated, and no sum over £100, other than those provided and passed in the budget estimates, is allowed to be paid without examination and a report from the Finance Committee, or in case of emergency without the special approval of the Court of Common Council.

The next important point was the recommendation of the preparation of a detailed annual budget. It was ordered that each Committee should prepare a detailed estimate of its anticipated revenue and expenditure for each ensuing year, and submit this before the expenditure was sanctioned by the Court to the Finance Committee. Since the year 1903 this has been done, the amounts have each year been totalled, and if found to exceed the expected income or the figures of the previous year good reasons have to be shown by the Chairman of the Committee in question; and this procedure has generally ended in the reduction of the Committee's proposed expenditure. For example, the total of the first estimates for the year 1904 made in advance showed an excess of expenditure over income of £18,896, but was reduced by the Finance Committee, and when passed and allowed by the Court showed an estimated surplus of income over expenditure of £3,528.

Upon the agenda of every Committee at each meeting there is placed the figure of the amount expended for the year up to the date of the meeting, and the expenditure to the same date of the last year is also shown. If it is found that the current expenditure is too high, that Chairman and his Committee look fully into the matter with a view to reduction, or if reduction is not possible the Chairman brings the matter before the whole Court. There is yet a further check. The figures in detail of the expenditure of each Committee are also placed before the Chairman and Committee of the Finance Committee at every meeting. They are sedulously compared and checked; and, if the expenditure is advancing beyond the amount which the Finance Committee think right, a courteous statement of the facts is sent by the Finance Committee to the Committee exceeding. This has never failed to keep expenditure down.

All these things will be admitted to be excellent. The proof that they are so is that since 1903 the deficits have been turned into surpluses, while the Improvements and Finance Committee might also be congratulated upon the reduction by one-third of the City rate proper for 1907. It remains now to show how the first great reductions were effected. Appended to the Finance Committee's report of May 21 1903 was a series of valuable tables containing the cash statistics of the receipts and payments for seven years of each Committee, the percentages of ratios of that expenditure, and the conclusions to be drawn therefrom.

At the end of the Finance Committee's report of May 21 1903 a summary of the expenditure of the various Committees was given. It showed, and, indeed, clearly predicted, that if the recommendations already set down in the report were agreed to and enforced by the Court the saving on the City's cash would be £15,000 for the year 1904. At December 1904 the excess of income over expenditure was £15,772, or £772 more than the estimate, a result which proved the closeness and accuracy of the reasoning and forecasts.

The application of the system of percentages and comparisons of expenses was the chief cause of this great improvement. The Chairmen of all the Committees now meet at the beginning of each financial year under the presidency of the Chairman of the Finance Committee, and the lessons taught by these comparative percentages are fully considered, the axioms always being, "If the "expenditure of a particular revenue-earning Committee "was so much per cent. of the revenue in such a year, why "should it be more now?" Or, "If the percentage of a "spending Committee has gone up on the figures of so "much per cent. over the lowest year, why is it, and why "cannot it be reduced to the old ratio?"

With the information provided it thus became easy to find the causes of leakage; and so wasteful expenditure has been checked, and, as a whole, kept within income, as has been explained.

In the meantime the Corporation also took in hand their methods of bookkeeping; and after prolonged inquiry and much detailed work it is not too much to say that their accounting is now perfect, and no longer depends chiefly upon a multitude of Cash Books.

The lesson to be learned by the county councils and municipalities of England is plain; and their first duty is to examine and collate their expenditure over several years, and to find out by percentages where it has advanced and why, and then, as the Corporation of London have done, apply the cure. Each corporation should obtain from the City of London its famous financial report of May 21 1903, and proceed exactly on the lines there clearly laid down, and within one year I do not fear to predict the rates of England will fall from 10 to 20 per cent., to the great relief of a long-suffering community.

HARVEY PREEN, F.C.A.

17 Basinghall Street, E.C.

Professor Dicksee, M.Com.

(From *The University Engineering Journal.*)

Once again Birmingham's loss has been London's gain. For nearly five years the first Professor of Accounting in the University of Birmingham has carried out his work of developing the business instincts of the undergraduates in commerce and engineering, and now he has gone to take up an even more important work—that of trying to make the work of the War Office more efficient. We are sure that he carries with him the good wishes of all his many friends in the Midlands, and we wish him every success. We have obtained, by the courtesy of the Dean of the Faculty of Commerce, some particulars of the career of the Professor of Accounting, and these we give below.

Mr. Lawrence R. Dicksee, F.C.A., was appointed Professor of Accounting in July 1902. It was the first Chair bearing that title to be established in any British university. The term "Accounting," which is used, to some extent, in America, was introduced, on this occasion, into England in order to distinguish that study of accounts which, in the opinion of Professor Ashley, Dean of the Faculty of Commerce, is desirable for all business men from the more definitely technical training of future professional accountants, for which he thinks it is obviously well to reserve the term "accountancy." Although no other English university has, so far, established a professorship of accounting, lectureships have been created in more than one place, and the term "accounting" has been borrowed there from the Birmingham practice. In the latter part of his tenure of office, when the curriculum for the degree of Bachelor of Commerce was fully developed, Professor Dicksee was in the habit of conducting four separate courses; Accounting I. for beginners; Accounting II.A, a more advanced course; Accounting II.B., a distinctly tutorial course going over the ground of II.A again for the special benefit of such students as were candidates for the degree, and had had no practical office experience; and, finally, Accounting III. the most advanced course for the third year students. These courses, beginning with the elements of ordinary bookkeeping, advanced, ultimately, to the most difficult questions of accounts, including all those problems which are suggested by a study of Balance Sheets. It was his habit to take a number of Balance Sheets of leading Midland businesses, and to subject them, in his class, to a careful analysis and criticism. In the second and third year the very difficult subject of Cost Accounts was also carefully treated. These courses are only of one hour's duration per week, but each student is also expected to do an exercise weekly. Although Professor Dicksee only visited Birmingham on one day in the week, the preparation of his lectures and the marking of papers occupied a very substantial portion of his working time during the week. As the result of the representations of some of the professors in the Department of Engineering an arrangement was made last year to establish a course of accounting for the special benefit of engineering students. The subject was added by the Science Faculty to the fourth year curriculum in engineering, and made compulsory. At the time of his resignation Professor Dicksee was engaged in conducting this course, which necessarily began with elementary bookkeeping (like Accounting I.), but to which he proposed to give a more distinctly engineering character as the year progressed.

The appointment of Professor Dicksee, was, of course, a great experiment; but its success has certainly been equal to the most sanguine expectations. Professor Dicksee was already the author of some of the best known works of accounting—works which are perhaps even more widely known in America than in England—and he has signalised his tenure of the Professorship at Birmingham by producing other works of the same high character. It has always been a great advantage to him in his teaching that he has been able to combine the theory with the practice of accounts; for he has continued to take an active part in the work of the firm of accountants in London of which he is the leading partner. That the accounting work of the University has been successful has been evinced, not only by its obvious effect upon the students themselves, but also by the testimony of the eminent practising accountants who have been good enough to act as External Examiners each year.

During the first three years of the existence of the Faculty Mr. Eric Carter, F.C.A., acted as external examiner, and at the end of his term of office he expressed himself as surprised by the grip of accounting methods which students who had had no office experience had been able to obtain under Mr. Dicksee's tuition. The external examiner last year was Sir Walter Fisher, and for the three years now beginning Mr. A. H. Gibson, F.C.A., has consented to act. Anyone who knows the position these gentlemen occupy in the business world of the Midlands will feel assured of the solidity and practicality of the work of the chair. Professor Dicksee's resignation has been caused by his acceptance of an important position in connection with the War Office scheme for the business training of Army officers in London.

The new appointment taken up by Professor Dicksee is really only a development and extension of the appointment that he has held for the last five years at the London School of Economics, which (as our readers are no doubt aware) is one of the colleges of the University of London. Recently, however, a scheme has been formulated by the War Office for the training in administration of a limited number of Army officers, and the carrying out of this scheme, under an Advisory Committee, devolves upon the London School of Econmics. The Advisory Committee consists partly of War Office officials and partly of well-known business men. The Chairman of the Council and Director of the London School

of Economics are added thereto. It is proposed to organise this system of training upon lines somewhat similar to those that have obtained in connection with the Staff College, and as officers passing through the Staff College are described as "P.S.C.," so officers passing through the Administrative College will be entitled "P.Ad.C." Those selected for the course must have already given evidence of promise of administrative ability; they must be of the rank of captain, or over, and not exceed thirty-five years of age. In the present (first) session, however, a certain number of officers exceeding this age limit have been included for various reasons. The subjects in which instruction will be given are accounting and business methods and commercial law, carriage by sea and land, economic theory, economic geography, and statistical method. It is quite possible, however, that there may be certain variations made from time to time, the object being rather to evolve the most suitable and practical course of instruction possible, than to lay down in advance a hard and fast system. It is clear that this work is one of great national importance.

For the conduct of the accounting courses to the end of the present academic year a temporary arrangement has been made with Mr. Pembridge, who is a partner of Mr. Dicksee, and who will enjoy Mr. Dicksee's counsel and assistance in conducting the courses on the lines Professor Dicksee has marked out.

Presentation to Mr. C. Woollett,

(Assistant Official Receiver, Birmingham.)

A LARGE number of the professional men of Birmingham met on Wednesday, the 27th ult., in the Chartered Accountants' Branch Library, Newhall Street, for the purpose of making a presentation to Mr. Charles Woollett, who for the past seventeen years has been Assistant Official Receiver for Birmingham and West Bromwich, and who has commenced his duties as Official Receiver of the Huddersfield and Dewsbury district. At five o'clock the company met at tea, and the after-proceedings were presided over by Mr. Allen Edwards, F.C.A. Mr. E. L. Stevens read letters regretting non-attendance, and expressing sympathy with the objects of the gathering.

In the course of a short speech Mr. Edwards reviewed Mr. Woollett's official career, and made reference to his genial and obliging disposition, and the conscientious manner in which he had always performed his duties. Whilst they could not help feeling sorrow at losing him, they could not help but regard his advancement with satisfaction. They would, said Mr. Edwards, look forward to the time when Mr. Cully would be appointed Inspector-General, when, perhaps, Mr. Woollett would be remembered by the Board of Trade as the most suitable man to return to Birmingham to take his place. (Hear, hear, and laughter.) He felt sure that was the opinion of every man in the room. (Applause.) Referring to Mr. Woollett's pleasant manner in dealing with debtors, Mr. Edwards remarked that he was sure there would be a boom in bankruptcy in the Dewsbury district—(laughter)—for when the first few debtors had found out what a fine fellow the new receiver was others would rush to file their petitions. (Laughter.) Mr. Edwards then asked Mr. Woollett's acceptance of the presentation, which consisted of an illuminated address, a handsome silver tea service in case, and a cheque. The address expressed satisfaction at Mr. Woollett's recent advancement in the public service to a position which he had so honourably earned, and continued: "Your wide knowledge of your profession, your great and "varied experience, your unfailing and unvarying courtesy, "your happy and obliging disposition, and your absolute "sincerity and singleness of purpose have created in mind "and heart alike a sense both of appreciation and affection "which will not soon be eradicated." On behalf of the solicitors of Birmingham Mr. A. C. Jaques and Mr. Walter Barrow spoke of the appreciation in which Mr. Woollett was held, and Mr. Ledsam, as representing the accountants, endorsed all that had been said.

In his reply, Mr. Woollett said if that were a meeting of creditors he would be able to face it without diffidence; he would know what to do, and would, no doubt, bring the matter to a satisfactory conclusion. (Laughter.) But that was the first time he had been faced by such a gathering as that, and he hardly knew what to say. It was very pleasant to find the kindly appreciation in which his services had been regarded by the professional people of Birmingham. In doing his duty he had always endeavoured to put himself in the place of the other man, and say to himself, "How should I feel were I in his place?" He was pleased to feel that endeavour had proved acceptable to all parties concerned. He had to thank Mr. Luke J. Sharp, the late Official Receiver, for having given him his start in life, and for having left him one of the best-paid Assistant Receivers in the provinces. He wished also to point out that his present position was offered to him subject to Mr. Cully's approval. Although Mr. Cully had been put to considerable inconvenience that gentleman not only gave his approval, but tendered him his most hearty congratulations. (Applause.) He was certain of this—that the better Birmingham folk got to know Mr. Cully the better they would like him. Mr. Woollett then expressed his sincere thanks for the handsome present, and said he could assure them that had been the proudest occasion in his life.

Votes of thanks to the Institute of Chartered Accountants for the use of the library, and to the Chairman and Committee, concluded a pleasant gathering.

Personal.

MESSRS. ALLEN BIGGS & Co., Chartered Accountants, have removed to 147 Leadenhall Street, E.C.

MR. ARTHUR GEDGE PLANTE, Chartered Accountant, has commenced to practise at Thanet House, 231 Strand, W.C.

MESSRS. THOS. MOTTERSHEAD & Co., Chartered Accountants, have removed to 14 Warren Street, Stockport.

MESSRS. RADLEY & JOHNSON, Chartered Accountants, have removed from 10A Temple Row, to Clarendon Chambers, 1 & 2 Waterloo Street, Birmingham.

MR. HERBERT WOOD, Chartered Accountant, has removed from 46 Queen Victoria Street to 36 Camomile Street, E.C.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday April 5th was 96, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 39; Deeds of Arrangement registered, 57. The respective numbers in the corresponding week of last year were: Bankruptcies, 79; Deeds of Arrangement, 89—total, 168; being a decrease of 72. The total number of commercial failures recorded during the 14 weeks of the present year is 2,140; the total number recorded in the corresponding 14 weeks of last year was 2,407, showing a decrease of 267.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday April 5th, was 119. The number in the corresponding week of last year was 157, showing a decrease of 38. The total number filed during the 14 weeks of the present year is 2,135; the total number filed in the corresponding 14 weeks of last year was 2,211, showing a decrease of 76.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday April 5th amounted to £418,685, by way of addition to £1,070,452, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,130,948, showing a decrease of £712,263. The total amount registered during the 14 weeks of the present year is £22,870,325 (in addition to the issues in previous years by the same companies), as compared with £23,391,080 for the corresponding 14 weeks in 1906, showing a decrease of £520,755.

The Profession in Scotland.

Personal.

Messrs. Moody, Stuart & Robertson, C.A., have assumed Mr. Lewis Findlay Robertson, C.A., as a partner.

Mr. Frederick Todd, C.A., has begun business at 4 North St. David Street, Edinburgh.

Mr. Garnet W. Edmunds, C.A., has begun business at 4 North St. David Street, Edinburgh.

The firm of Martin, McChlery & Anderson, accountants, 190 West George Street, Glasgow, of which Mr. James Martin and Mr. J. Anderson McChlery were sole partners, has been dissolved of consent as at 28th February. Mr. James Martin will continue business on his own account at 190 West George Street, Glasgow, and Mr. McChlery at 157 St. Vincent Street, Glasgow.

Scottish Insolvencies.

For the week ending 6th April the number of insolvencies reported in Scotland was 28, as compared with 27 in the corresponding week of last year. The trust deeds numbered 12, as compared with 14; the sequestrations 7, as compared with 5; and the petitions for cessio 9, as compared with 8. The total number of insolvencies for the fourteen weeks of the year is 398, as compared with 363 in the corresponding period of last year—the trust deeds numbering 191 against 165, the sequestrations 73 against 93, and the petitions for cessio 134 against 105. Of the 12 trust deeds reported during the week, 7 were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 43 for the fourteen weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1689.] SATURDAY, APRIL 20, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
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Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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EXAMINATIONS.

THE next Examinations will be held on the following dates:—

The Preliminary Examination on the 4th, 5th, and 6th June 1907.

The Intermediate Examination on the 27th and 28th May 1907.

The Final Examination on the 29th, 30th, and 31st May 1907.

Persons desiring to present themselves for examination must give notice to the Council at least thirty days before the date of the Examinations, at the same time forwarding the examination fee.

Full particulars and forms may be obtained at the office of the Institute, Moorgate Place, London, E.C., and at the various Branch Libraries.

By order of the Council,

GEORGE COLVILLE,

April 1907. *Secretary.*

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Leading Articles.

Company Law Reform: The Audit and Accounts.—III.

IT still remains for us to consider those clauses of the Companies Bill now before the House of Lords relating to audit and accounts, which are comprised in Sections 21 to 24.

Section 21 (in substitution of Section 23 of the 1900 Act, giving the auditor the right of

access at all times to the books, accounts, and vouchers of the company, and the right to require such information and explanations as may be necessary for the performance of his duties) represents the first two clauses of the phenomenally long sentence of which Section 23 is comprised, which is now with great advantage cut up into sub-sections. In place of the provision that the auditor shall sign a certificate at the foot of the Balance Sheet stating whether or not all his requirements as auditor have been complied with, and shall report to the shareholders on the accounts examined by him, &c., Subsection 2 provides that the auditors shall make a report to the shareholders on the accounts examined by them, and on every Balance Sheet laid before the company in general meeting during their tenure of office; and that the report shall state (*a*) whether or not they have obtained all the information and explanations they have required, and (*b*) whether in their opinion the Balance Sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, according to the best of their information and the explanations given to them, and as shown by the books of the company. Subsection 3 provides that this report shall be attached to the Balance Sheet, or there shall be inserted at the foot of the Balance Sheet a reference to the report; that the report shall be read before the company in general meeting, and shall be open to inspection by any shareholder. It will be observed that, instead of the vague certification that all the auditor's requirements have been complied with—with its accompanying doubt as to whether the word "requirements" was to be interpreted in its popular sense, or as meaning neither more nor less than was involved in the word "require" used a few lines further up in the same sentence—we have the common-sense and entirely intelligible statement whether or not the auditors have obtained all the information and explanations that they required—that is to say, whether they have been afforded the facilities for audit that they are entitled to under Section 23, which now becomes Section 21 (1). The report, instead of commenting upon the Balance Sheet merely from the point of view of the books of the company, is to be commented upon according to the best opinion of the auditor, and the explanations given to him in the course of his audit. It may well be questioned whether this amendment is necessary, in view of the decision given nearly twenty years' ago in the case of *The Leeds Estate Building and Investment Society, Lim. v. Shepherd*, but the elaboration of the wording can certainly do no harm, and will doubtless give the average shareholder more confidence in the result of the audit. Of far greater importance, however, are the provisions of Subsection 3, which require the report either to be attached to the Balance Sheet, or for there to be inserted at the foot of the Balance Sheet a reference to the report. It would be an advantage, perhaps, if it were made quite clear whether it was for the directors or the auditors to decide whether or not the report should be attached to the Balance Sheet; but the provision that, in default of publication of the report, a distinct reference to its separate existence must appear at the foot of the published Balance Sheet is most valuable, and is, indeed, the only way of combating an evil that has grown up in certain quarters, of printing a colourless report combined with a statutory certificate, and issuing an entirely

different report that is not published. There can be no question that, upon a reasonable interpretation of Section 23, if any of the auditor's report was published the whole of it ought to be published; or else, to avoid serious misunderstanding, the existence of an unpublished portion ought to be referred to in the published portion. We are glad to observe, however, that if Section 23 be passed in its existing form that will practically become compulsory.

Subsection 4 provides that no one other than a retiring auditor may be appointed auditor at a general meeting unless previous notice has been given of an intention to nominate him to the office, which notice has been communicated to every shareholder of the company. Such a clause would be most valuable, as tending to render the position of auditor a more independent one; and it will altogether deprive directors of an excuse that has not infrequently been put forward when an auditor has been superseded for questioning the acts of the directors—that the initiative came not from the directors, but from "the other side of the table," and that naturally the directors could not interfere with the rank and file of the shareholders in their selection of an auditor. If the clause be passed in its existing form, and if shareholders do not for any reason desire to retain the retiring auditor, it will be necessary for them either to adjourn the meeting or to leave the post unfilled—in which case, of course, the Board of Trade could act. Failing each of these alternatives a retiring auditor must be re-elected, save in cases where he has had ample notice of an intention to oppose his reappointment such as will give him sufficient time to confer with his supporters. Subsection 5 provides, *inter alia*, that every officer of a company who is knowingly a party to the issue of a Balance Sheet not containing the auditor's report, or the reference thereto required by Subsection 3, shall be liable, on conviction, to a fine not exceeding £50. Here, as in other cases, the question as to who is liable should be more clearly defined, and should be limited to those who have power to remedy the defect. It is now settled law that an auditor is an officer of the company, and under the existing law he has no control whatever over the form in which a company's accounts and Balance Sheet are printed and circulated. If he is to be held personally responsible—which might or might not be desirable—he ought certainly to be given the necessary powers to protect himself against the misfeasance of others.

Section 22 provides for the filing of an annual Balance Sheet by all companies required by Section 26 of the Companies Act, 1862, to forward to the Registrar an annual list of members and summary of capital issued. This clause will no doubt be hotly opposed, more especially by those least entitled to any consideration—namely, the so-called private companies, including "one-man" companies. It is to be hoped, however, that it will be insisted upon, although the legal effects will no doubt be far-reaching. At the present time the company Balance Sheet is prepared for the information of its shareholders, and the duties of the auditor are merely his duties to the shareholders, in accordance with the Companies Acts and the memorandum and articles of association of the particular company concerned. If, however, Balance Sheets are to be filed, and are to be available for the inspection of the public, they become public documents, and whatever representations they may contai-

will presumably become representations to the public. Thus the duties of the auditor may become very greatly extended. So long, however, as the point of the section is not lost sight of, we do not see that it need provide any reasonable barrier to that disclosure, which, it seems to us, is entirely proper on the part of all concerns that seek to obtain credit while reserving to themselves the privilege of limited liability.

Clause 23 removes some of the doubts experienced with regard to the true meaning of Section 12 of the 1900 Act, by providing that the Statement of Receipts and Payments on Capital Account is to include debentures as well as shares. It would be well, however, for opportunity to be taken to make the statement of some practical use—instead of being, as at present, entirely valueless. Instead of being a purely cash statement, and thus obviously incomplete, it should deal in parallel columns with receipts and payments on Capital Account in cash, and also with shares and debentures issued as partly or as fully paid, and the assets acquired in exchange therefor. It should indeed be a complete statement of Capital Account, dealing not merely with completed transactions, but also with all transactions contracted for, so that the account may clearly show a balance representing the available working capital of the company.

Section 24 extends to preference shareholders and debenture-holders the same rights as to receiving and inspecting Balance Sheets and the auditors' and directors' reports as are possessed by the holders of ordinary shares, in the absence of an express provision to the contrary contained in the articles of association and disclosed in the prospectus or the statement filed in lieu of a prospectus, as the case may be. This provision is entirely reasonable with regard to preference shares; and indeed we do not know why a company should be allowed to contract out of it even by a special clause contained in its articles, but the principle involved is more novel as applied to debenture-holders. It seems, however, to logically follow from the provisions enabling a company to issue irredeemable debentures, and it is, perhaps chiefly of interest to our readers as emphasising the point that we drew attention to when commenting upon Section 22—that under the provisions of this Bill it can no longer be considered that the accounts of companies are prepared entirely or even mainly in the interests of shareholders. They will presumably have to be regarded as being prepared in the interests of all whom they may concern, thus considerably enlarging the scope of the auditor's responsibilities. Provided, however, it is made clear that the auditor has no control over the form of the published accounts, and that his duty is simply confined to reporting upon them in the form in which they are submitted to him, there seems to be nothing unreasonable concerning this enlarged measure of responsibility.

Reduction of a Company's Capital.—III.

IT is when the capital of a company is divided into two or more classes that the most difficult problems arise in connection with a scheme for the reduction of its capital, and it is in such cases that disputes most frequently occur. These disputes are often embittered by the circumstance that the company's articles of association restrict the powers of certain classes of shareholders, with the result that a resolution duly carried by the company in general meeting is not necessarily any very

clear indication of the views entertained by the shareholders generally. It is under these circumstances that the statutory power of minorities to appear before the Court and to oppose a scheme for reduction proves most valuable.

Let us suppose, in the first instance, that the following Balance Sheet has been prepared by a company for submission to its members:—

BALANCE SHEET, 31st December 1906.

	£		£
Capital:—		Assets..	200,000
100,000 Preference Shares of £1 each	100,000	Profit and Loss Account ..	50,000
100,000 Ordinary Shares of £1 each	100,000		
Liabilities	50,000		
	£250 000		£250,000

In the case above referred to it appears that the company has sustained losses on Revenue Account amounting to £50,000. We may further suppose that the actual value of its fixed assets is £50,000 less than the book value, making a total loss in respect of both capital and revenue of £100,000—a loss equal to the entire paid-up capital on the ordinary shares. Under these circumstances, assuming that the preference shares are preferential as to capital, it would appear at first glance that the whole of the ordinary capital has been lost, and that therefore an equitable arrangement would be to reduce the capital of the company by writing off the ordinary shares altogether, leaving the capital entirely to the holders of preference shares. This is the view very generally entertained by preference shareholders under such circumstances, but a more careful examination of the facts will show that it is essentially unsound. Preference shareholders stand, so to speak, in the second line, in the sense that all risks of loss fall in the first instance upon the ordinary shareholders, who can receive no dividend until the preference dividend has been paid, and upon a winding-up can receive no return of capital until the preference shareholders' capital has been paid in full. But, on the other hand, when once these claims of the preference shareholders have been met, the ordinary shareholders are entitled to receive everything that there may be in excess of such claims. That is to say, during the continuance of the company, subject to payment of the preference dividend, they are entitled to have divided among them the whole of the profits earned by the company, if they think it advisable to divide these profits, and upon a winding up they are entitled to have the whole of the company's assets distributed among them *pro ratâ*, provided all costs and debts have been paid and the bare capital of the preference shareholders has been refunded. The mere fact that the company has sustained certain losses does not justify the preference shareholders in stepping in and taking over the whole concern as though it belonged to them. Even debenture-holders would not be entitled to make a profit upon the enforcement of their security, and the position of preference shareholders, who have no security, is, of course, even weaker.

It is clear, therefore, that, although in the case above cited an amount equal to the whole of the paid-up ordinary capital has been admittedly lost, an equitable scheme for the reduction of capital would not be one that provided for the absolute extinction of all the ordinary shares. Whatever happens, the preference shareholders cannot expect a return in excess of their prescribed maximum dividend. If the preference shareholders are unduly exacting, the ordinary shareholders may well point out to them that they cannot expect even to receive their preference dividend save out of profits reasonably available for distribution

and, that unless they show a greater readiness to fall into line, the payment of any dividend whatever must be indefinitely postponed. The situation is thus eminently one for a reasonable bargain to be struck between the two classes of shareholders. Both desire to see the payment of dividends resumed at the earliest practicable date. In a hypothetical case it is, of course, impossible to take into consideration all the various circumstances that will necessarily have a bearing upon the matter in practice. We may suggest, however, that in such a case as this, while it is clearly reasonable that the ordinary shares should be written down very substantially, they ought still to be retained in existence, if only at a nominal value, so that after satisfaction of the preference dividend the holders of ordinary shares may receive payment of such dividends as the surplus profits may justify. This, in the case cited, will necessarily involve one of two things —either the assets must not be written down to their present admitted value of £100,000, or else the preference shareholders must submit to some reduction of capital as a *quid pro quo* for a readjustment of finances which will enable the payment of preference dividends to be at once resumed. In the majority of cases it is, we believe, considered that the ordinary shareholders are acting very handsomely if they consent to a scheme reducing the ordinary shares to fully-paid shares of 2s. each and the preference shares to fully-paid shares of 18s. each, and in certain cases such an arrangement might be equitable as between the parties. It is submitted, however, that in general such a scheme would err upon the side of being over-generous to the ordinary shareholders, in that, whatever good fortune may await the company in the future, the preference shareholders are prejudiced both as to capital and income; while, in the event of the company again becoming prosperous, the whole of the benefits of such increased prosperity will be enjoyed by the ordinary shareholders. Thus, prior to the reduction of capital the first £6,000 of divisible profit would have to be distributed among the preference shareholders, and in the event of a winding-up, after payment of debts and costs, the first £100,000 of realised assets would have to be applied towards the repayment of the preference shareholders; whereas, after the carrying through of a reduction scheme such as that just indicated, the charge upon divisible profits to represent the annual preference dividend would be reduced to £5,400, and the preference shareholders' interest in the assets in the event of a winding up reduced to £90,000. It is submitted that for the scheme to be entirely equitable, if the preference capital is to be written down to 100,000 shares of 18s. each, the preference dividend should be increased to 6⅔ per cent.; and there should be a further provision that in the event of liquidation the preference shareholders should be entitled to a bonus of 2s. per share before any distribution whatever be made among the holders of ordinary shares.

On the other hand, it may well be argued that this treatment would be unduly generous to the preference shareholders, if the position of the company were such that a scheme for the reduction would practically ensure the early payment of preference dividends, but would not by any means necessarily ensure the early payment of ordinary dividends. Under those circumstances there would no doubt be good arguments to be urged in favour of a scheme more favourable to the ordinary shareholder. But we have no hesitation in saying

that, in the great majority of cases, the ordinary shareholder comes out best upon the reduction of a company's capital; and that for the all-sufficient reason that, even supposing the preference shareholder enjoys full voting powers, he is almost invariably in a minority, in that the aggregate amount of ordinary shares would normally be considerably greater than the aggregate amount of preference shares.

Another difficulty often experienced in providing a reasonably equitable scheme for the reduction of a company's capital arises out of the correct treatment of Reserve Funds. For many years it was thought that Reserve Funds must be applied in the first instance towards making good losses, whether of revenue or of capital, before the company could apply to the Court for a reduction of its capital on the ground that it, or part of it, was not represented by available assets. Recent decisions, however, have clearly shown that this impression was unjustified. Thus in *Re Hoare & Co., Lim.* (decided by the Court of Appeal in June 1904), and *Re Rowland and Marwood's Steamship Co., Lim.* (decided by Mr. Justice Warrington in December 1906), it was held that where a Reserve Fund had been set aside for a specific purpose, and that purpose was not yet completely satisfied, it was just and equitable that the Reserve Fund should be allowed to continue in existence after the capital of the company had been reduced. These decisions undoubtedly tend to simplify capital reduction schemes where it is clear that one or another class of shareholders are legally or morally entitled to the benefits of a particular Reserve Fund, but in the case of General Reserve Funds the position is not quite so clear. The extinction of a Reserve Fund upon the reduction of a company's capital is *pro tanto* to the benefit of the ordinary shareholders, upon whom necessarily must fall the bulk of the loss then written off; but it is quite conceivable that Reserve Funds may exist partly for the benefit of preference shareholders, as affording reasonable security for the continuance of the preference dividend, without their having been so clearly ear-marked in favour of the preference shareholders as to bring the case directly under the decisions that we have mentioned above. It is to be borne in mind, moreover, that the effect of these decisions is rather to permit ordinary shareholders to adopt the self-denying plan of drastically writing down their own capital than to require them to do so for the better protection of preference shareholders. Unless the ordinary shareholders are willing to face the whole reduction it seems more than questionable whether the effect of these decisions is to compel them to do so before the Court will sanction a scheme. The matter is, however, only a part of the larger question of the respective rights of preference and ordinary shareholders, which we hope to discuss shortly in the course of a series of articles dealing with popular fallacies.

The Association of Chambers of Commerce.

THE 47th annual meeting of the Association of Chambers of Commerce of the United Kingdom was held in the Whitehall Rooms of the Hotel Métropole on the 5th, 6th, and 7th of last month, the chair being occupied by Sir WILLIAM H. HOLLAND, M.P., the President of the Association. An exceptionally full programme was dealt with, and the subjects of interest to accountants were perhaps somewhat more numerous than usual.

A resolution was unanimously passed, on the motion of Sir ALBERT K. ROLLIT, that in view of the admitted evils in connection with the promotion, formation, and management of joint-stock companies, His Majesty's Government be urged to introduce early legislation on the lines of the main recommendations contained in the Report of the Departmental Committee of the Board of Trade on Company Law Amendment. This recommendation has, of course, already been acted upon, in that the Government's Companies Bill has been introduced in the House of Lords and passed a second reading. That it altogether meets the requirements of the case can hardly be said, but, as we have discussed the matter in some detail already, it is unnecessary for us to now refer to it again.

A further resolution, also carried unanimously, was moved by Mr. FAITHFULL BEGG, committing the Association to approval in principle of the Bill promoted by the Central Association of Bankers to give effect to certain amendments of the law in relation to debentures and debenture stock, in accordance with paragraphs 75-78 of the Report of the Company Law Amendment Committee. If the Government Bill passes in its existing form, the Companies Debentures and Debenture Stock Bill will, of course, become unnecessary; but if for any reason there should be delay in the enactment of the Government measure, it would be desirable that this instalment, which may for all practical purposes be regarded as non-contentious, should be carried in the meantime.

The Association appears to have been in an exceptionally unanimous mood, for a little later, on the motion of a Bradford delegate, it so passed a resolution requesting the Executive Council to use all means in their power to secure the passing of the Registration of Firms Bill and the Limited Partnerships Bill during the coming session. For our own part, we regard it as a tactical error to deal with two such essentially different subjects in the same resolution. The compulsory registration of firms—so that it may be ascertained with certainty and without difficulty who were liable as partners of every firm, and with what firms every individual was connected—is an obvious and generally admitted need, and a Bill attempting nothing more than this could hardly be opposed in good faith. The Limited Partnerships Bill is, however, an entirely different matter. Even the principle is by no means generally accepted, while the Bill in its present form contains many grievous defects which will require to be somewhat materially altered before it will be acceptable even to those who admit the principle. There is not the least chance of this measure passing into law during the present session; and indeed the commercial community will require a good deal of education before it can be made to understand why small bodies of individuals should be given greater facilities for trading with limited liability than those provided by the Companies Acts.

On the motion of a Belfast delegate a resolution was unanimously passed in favour of the existing English bankruptcy system being applied to Ireland. It is obvious that any diversity of law between different portions of the United Kingdom is a cause of grave inconvenience and serious loss; but the present moment, when the English bankruptcy system is apparently about to be again put into the melting-pot, does not seem to be at all timely for unification. We would strongly advise Irish prac-

titioners to be content to await developments, and to see whether the English law and practice is worth copying, before committing themselves to uniformity, at no matter what cost.

On the subject of Bankruptcy Law Reform a resolution of considerable interest was passed, upon the motion of a Leicester delegate, asserting that great harm was at present caused to public commercial morality by the exposure of frauds in our Bankruptcy Courts, which are followed by no adequate punishment. It is suggested that the law should be altered in the spirit of putting on the person seeking relief from his liabilities the onus of showing that his losses have been incurred through misfortune; making it a penal offence to have traded without keeping proper books, to have failed to give a satisfactory account of the loss of any substantial portion of his estate, or to commence trading again—in the name of his wife or otherwise—without first obtaining his discharge. Although unanimously passed, this resolution cannot seriously be regarded as of other than academical interest. If the machinery of bankruptcy is to be refused to all save those who can prove that their failure is owing to misfortune, what, it may be asked, is to become of the estates of the far greater majority of reckless or fraudulent bankrupts? Are they to be scrambled for by the first-comers? And what are to be the remedies of those creditors who arrive too late to take part in the general scramble? While entirely agreeing that the procedure ought to be radically different as between what we may call *bonâ fide* bankrupts and fraudulent bankrupts, it must surely be clear that it is with regard to the latter alone that the machinery of bankruptcy is really needful. It is surprising that so eminently practical an assemblage of business men should unanimously commit themselves to so ill-considered a motion.

Another ill-considered and unpractical resolution was that moved by Mr. J. E. Fox, of Cardiff, that the interests of the public and of the trading community demand an immediate reform of County Court law, practice, and procedure, whereby the jurisdiction shall be extended, the practice and procedure simplified, the recovery of just debts and demands made more easy, and the enforcement of judgments rendered more reasonably effective than at present—the existing law, practice, and procedure being altogether unsuited to the requirements of the times. Even granted that this wholesale condemnation of the County Court system is justified by the facts, it must surely be clear that a resolution so worded, which is purely destructive criticism, is not likely to set anybody embarking upon a scheme of constructive reform. If business men find County Courts so absolutely defective as the resolution asserts, it must surely be for reasons that are capable of being specifically stated in such a manner as to indicate how, with advantage, the existing practice might be altered. For our own part, we think it much to be regretted that the amendment moved by Mr. A. E. Dunn, M.P.—urging for a reduction of fees and the initiation of rules to establish summary judgment procedure—was not carried; undoubtedly the most unsatisfactory feature about the County Courts at the present time is the fact that the fees are excessive, being in many cases considerably greater than those charged even in the High Court.

The last resolution which it seems necessary for us to comment upon in these columns was one passed on the motion of a Cleckheaton delegate, welcoming the report of Sir Charle

Dilke's Committee on Income Tax, and urging the Government to take steps to provide an allowance for the depreciation of buildings and uniform rates for depreciation of plant and machinery for each particular trade. The question of income-tax reform will no doubt receive the early attention of the Government, although it is certainly not to be expected that any Bill will be introduced this year. When, however, we come down to practical details, we venture to think that an insuperable difficulty will be found in providing a uniform scale for depreciation of plant and machinery for each particular trade. To begin with, there can be no such thing as a definite list of trades, for trades vary and overlap. In the second place, the type of plant and machinery used in each particular trade—assuming trades could be classified—would be anything but uniform, and thus a uniform rate of depreciation would be manifestly unfair. The necessity of dealing adequately with this question of depreciation is unquestionable, but it will require very careful consideration if existing injustices are to be removed, and not merely varied.

Weekly Notes.

Joint Stock Companies and Municipal Votes. The Institute of Directors has issued a circular to its members inquiring whether they are in favour of the municipal franchise being extended to joint-stock companies, and whether, in the event of the Institute preparing a petition to Parliament to this end, they would be prepared to sign same. Unfortunately it is apparently not stated what form this particular privilege should take, and until some proposals are put forward we should think that members of the Institute could hardly be expected to commit themselves to a petition unless, indeed, they reckon that *any* scheme would be preferable to remaining outside the franchise altogether.

Scotch Banks and their Charters. It is reported that Scotch banks are gradually seeking powers to widen their scope of investment so that the securities of foreign countries may be embraced. This action is said to be due to the success which has attended the efforts of one of their number in this direction, as the depression in British gilt-edged securities was faced with equanimity owing to the large leaven of American Railroad Gold Bonds held. Scotch banks seem to be generally waking up, and we would respectfully suggest to Mr. W. Lawson, the well-known financial expert, that it is quite time his facile pen sought the Highlands or Sauchiehall Street.

"Bank Pension Funds." A correspondent of *The Financial News*, in the course of a rather bitter letter, complains that the practice of allocating large sums from available profits to "Pension Fund" is very objectionable, for "a large majority" of the shareholders "never had near the income of a bank officer, "and even that small income subject to serious fluctua-"tions unknown to the placid, well-salaried official. "As things are, this official has no need to save, his "retiring allowance being assured from the variable "profits of the poor and struggling." He mentions a case where, out of £96,000 profits, £31,000 were placed to a pension fund, "already large," thus taxing "the struggling small" investor to the extent of a third. It would, of course, be difficult to express any opinion without the full facts of the particular instance being available, but it will be interesting to hear the bank officers generally in their defence.

The Prevention of Corruption Act. The first case under this much-discussed measure came before the Manchester Stipendiary recently, and the facts, while simple, are not unworthy of record. A., a clerk in the employ of B., paid C., a carrier in the service of D. & Co., Lim., but hired temporarily by the Lancashire and Yorkshire Railway Company, small sums of a few pence to deliver certain parcels at places where he was not calling on behalf of the railway company. C., in evidence, stated that this was a general practice among carriers, and they did it to oblige customers. The first instance, where 3d. had been paid for the delivery of parcels at places where the carter *was* bound to call, was dismissed, but the second case (as briefly outlined above) was the subject of 20s. fine, ordinary costs, and special costs of ten guineas. It seems fairly clear that the railway

company were prejudiced, because the carrier hired by them, presumably on time rates, was not devoting the whole of his time to their service. The case has called forth some rather extraordinary comments in the press, but most reasonable people will agree with the decision.

Committee on Bankruptcy Law. The 33rd meeting of the Bankruptcy Law Amendment Committee was held on April 12th, at the Royal Courts of Justice, Mr. Muir Mackenzie (the chairman) presiding. Evidence was given by Mr. Gabriel Astoul (counsel to the French Embassy) as to the bankruptcy law now in force in the French Republic, and as to the system in force there, both for the administration of insolvent debtors' estates and the infliction of punishment on insolvent debtors for misconduct in their trading.

Bankers and Secrecy. A case of considerable interest was decided by Mr. Justice Clute in the Canadian Courts last month in the case of *Ryan v. The Bank of Montreal*, in which it was decided that the bank had no power to assign a debt due by a customer, and that an assignment so made was void. We can understand, of course, that in the interests of business generally it is important that banks should be compelled to treat as confidential whatever transactions they may have with their customers; but, on the other hand, if they are to be deprived of the right of assigning debts due to them by customers, they are deprived of a right that every other class of creditor possesses, and of what is often the most convenient means of realising overdue accounts. Mr. Justice Clute appears to consider that the rights of the customer in this matter are more important than the rights of the banker. It should not be lost sight of, however, that customers' accounts are very frequently guaranteed by a third party, and that if it is to be held that no information as to the state of the account is to be given by the manager of the bank without the consent of the customer, it is difficult to see how the guarantee can under any circumstances be made effective.

Capital Values and Municipal Profits. We understand that the Borough Electrical Engineer of Southwark has recently issued a return which seems to suggest that his idea of accounting is to periodically re-value capital assets as a going concern on a competitive basis between buyer and seller, and so long as upon this basis there is no deficiency, he seems to be of opinion that the question of depreciation does not arise. Engineers cannot, of course, be expected to be experts on matters of account, and it therefore does not do, perhaps, to take these statements too seriously. We should be sorry, however, if the bad examples set by the Manchester Corporation were to be copied by minor local authorities. They will be upon far safer ground if they look not at what might be received in the event of their selling that which they do not propose to sell, and probably have no power to sell, but rather at what money will have to be found to pay off loans and to keep their undertaking fully equipped, and how the total amount to be found ought to be charged against the revenue of successive years.

The Plymouth Corporation and the Local Government Board Audit. Our contemporary *The Municipal Journal* states that at a recent meeting of the Plymouth Corporation complaint was made that, after reading the latest report of the Government Auditor, difficulty was experienced in ascertaining what was actually the position of affairs in the finances of the Corporation. This we can well believe, and we sympathise with the ratepayers of Plymouth in being compelled to put up with a Government audit. When, however, one of the councillors went on to say that under the old *régime* any fourth-standard schoolboy could tell how money was spent and how it was received, he is either romancing or is possessed of a most defective memory. Plymouth's past record is that it obtained sanction to borrow moneys for certain specific purposes, raised the moneys, and then applied them for other purposes, and it was only on condition that it submitted its accounts for the future to a Local Government Board audit that the Department allowed it to borrow a second time in order to carry out the original scheme of capital expenditure. Corporations whose sense of financial responsibility is as slack as this must not complain if they are somewhat strictly supervised thereafter. It is, however, altogether another question whether adequate financial control can be best obtained through the District Auditor.

Practising Accountants. A contemporary draws attention to the fact that a gentleman who for many years past has held important municipal appointments has recently commenced private practice as an accountant in Sheffield. The gentleman referred to is

a Fellow of the Society of Accountants and Auditors, and thus is in a position to at once pose as an experienced professional accountant in general practice. It so happens that his career as a municipal accountant has been one of some eminence, and there is therefore no reason to suppose that his accession to the ranks of practising accountants will be other than a gain to the profession. The case, however, revives a question that has frequently been discussed—and, so far as we are aware, never very satisfactorily dealt with—as to the expediency of granting a general diploma, not for general knowledge and experience, but solely on the ground of knowledge as a specialist. While the specialist remains a specialist the plan doubtless works well, but if at any time he should become a general practitioner and should prove not to be qualified as such, his possession of the diploma may prove misleading to the public, and must of necessity depreciate the value of that particular form of diploma, and thus do an injustice to those who have secured it by regular means.

Accountancy Charges in America.

We understand that the United States Circuit Court at Houston, Texas, has upheld a bill for services rendered by Messrs. Haskins & Sells, C.P.A., at the rate of 50 dols. per day for principals' time, 25 dols. per day for accountants' time, and 15 dols. per day for assistant accountants' time. We presume that these two latter terms are equivalent to first-class clerks and second-class clerks in this country. These fees, which were stated to be Messrs. Haskins and Sells' minimum rates, are, of course, exclusive of disbursements. Making every allowance for differences in the purchasing power of money, accountants' services must be better appreciated in the States than in this country, if minimum rates such as these can be generally secured.

The Law's Delays.

Now that the precise figures are to hand, it has become abundantly clear that the accumulation of arrears at the High Court is becoming so serious as to be little short of a public scandal. At the commencement of the present term the total number of appeals on the list was 320, against 296 in the corresponding term of 1906, and 188 in 1905. It is not without importance to note that practically the whole of this increase is represented by appeals from the King's Bench Division. In the King's Bench itself 893 cases are awaiting trial, as against 774 in 1906, 803 in 1905, and 651 at the commencement of the Easter Term of 1903. That these excessive arrears might be readily reduced by increasing the number of Judges is obvious, when one bears in mind that the Chancery Division was in an equally unsatisfactory state prior to the appointment of an additional Judge, and since that date has been working quite smoothly.

The Title "Incorporated Accountant."

The defendants in the action of *The Society of Accountants and Auditors v. Goodway and The London Association of Accountants, Lim.*, having abandoned the appeal entered by them against the decision of Mr. Justice Warrington, the following injunctions granted by the learned Judge have come into operation:—

(1) Restraining the defendant, George Albert Goodway, from using, in connection with his business of accountant and debt collector, or either of such businesses, the title or designation "Incorporated Accountant," and from using in letters, accounts or notices, or any circulars or other advertisements, the designation of "Incorporated Accountant," cr any designation, only colourably differing therefrom, in such way as to represent or lead to the belief that the defendant is a member of the plaintiff Society.

(2) Also restraining the London Association of Accountants, Lim., from holding out or representing, by advertisement or otherwise, that its members are entitled to use any such designation, as aforesaid, in such way as to represent or lead to the belief that its members are members of the plaintiff Society.

The Equalisation of Water Rates.

There appears to be considerable opposition to the Metropolitan Water Board's Bill for equalising water rates throughout London. It is said that a rate based on rental or rateable value is by no means equitable, for occupiers of highly-rented buildings and offices in the City would pay three times the present charge, or an amount equal to that paid by Mayfair mansions, where the consumption of water must necessarily be considerably greater than is the case in a City office. It appears that the Board is under a statutory obligation to effect an equalisation of rates within a certain time, but it seems doubtful if the scheme of "equalisation" put forward is exactly on the lines contemplated by the Legislature when the private Act was passed. It has been

suggested that all supplies outside the domestic class should be regulated by meter, and there is a great deal to be said in support of this view, for we cannot see what ratio there is between rental or rateable value and the *consumption* of water! Perhaps the most unfortunate and unsatisfactory part of the business is that presumably the ratepayer will have to find the costs of all three contestants—the Water Board, the County Council, and the Borough Councils. A financial daily, distinguished by its clear-headed sanity on these matters, complains that London is a house divided against itself, for it is "so overdone with 'authorities' "that one cannot be set in motion without arousing "the opposition of all the others."

Book Debts and Bank Balances. *Re Haigh; Haigh v. Haigh* raises rather an interesting point, which would appear to be open to consideration. Testator's will said:—

> "I give, devise, and bequeath unto my trustees (in case I shall not have sold the same during my lifetime) my mill buildings and premises known as the —— Paper Mill, situate at ——, in the county of ——, together with the engine, boiler, shafting, machinery, loose tools, implements, utensils, and effects used in the business of a paper manufacturer carried on by me at the said mill, and the stock of raw material and manufactured paper and all book debts owing to me, and the benefit of all contracts entered into by me in respect of the said business at the time of my decease upon the trusts and subject to the directions hereinafter contained concerning the same."

and the motion was an adjourned summons to decide whether the beneficiary was entitled, under this clause, to a sum of money standing at the credit of the testator's business banking account. It should perhaps be said that by a further clause in the will the trustees were required to offer the details of the bequest to the named beneficiary at a fixed price, and that the latter had exercised his option to purchase. Mr. Justice Parker, in deciding that the bank balance was not intended to be included in the assets mentioned, is reported to have said that as the testator had provided that his trustees should "sell and dispose of the said business" in case the option referred to was not exercised, he did not think that a bank balance could form part of a property capable of being dealt with in such a way as that. It is, of course, impossible to say definitely what was the intention of the testator, but it would be interesting to know whether the jumble of words in the clause we have quoted from the will is merely "business" expressed in legal terminology or whether the testator himself separated his business into so many particles. If might, of course, be argued that a sum of money standing to the credit of the testator in the bank books was a book debt due from the bank, but this would be to rely entirely on theory. We commend the case to the Students' Societies, or the Secretaries of same on the look-out for likely subjects for debating purposes.

Cotton Milling Profits. It is stated that the first three months of the present year afford one of the most prosperous periods ever experienced by the cotton spinning companies in Lancashire. Many of these companies do not publish accounts, and, therefore, no reliable figures as to aggregate profits are available; while with regard to those that do publish accounts, the custom of levelling up profits by way of Secret Reserves renders the published figures of but little value for statistical purposes. These points should certainly not be overlooked by those who seek to draw deductions for economic purposes from published figures. In most cases the dividend paid appears to have been at the rate of 10 per cent. per annum, but the true profits have been far greater, even if the term "profit" be employed in its proper significance, and not in the manner customary in Lancashire, where depreciation is generally regarded as an allocation of profits, instead of being a charge against them.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Re Compensation Act.

[I cannot see that the presence or absence of a salary has anything to do with the liability of the employer. "Workman" under the Act includes any person who has entered into or works under a contract of service or *apprenticeship* with an employer, whether by way of

manual labour, clerical work, or otherwise, and whether the contract is expressed or implied, is oral or in writing. It is true that articled clerks are not *eo nomine* mentioned in the Act, as they are, for instance, in the Bankruptcy Act, but they are essentially in the status of apprentices, and are, in my opinion, clearly within the benefit of the Legislature. The risk, however, in such cases must be necessarily extremely small where the employment is of a clerical nature, and it must be carefully borne in mind that the employer's liability only exists in respect of accidents arising out of and in the course of the employment. It might, of course, be otherwise in the case of engineering pupils, &c., but as the question is directed specifically to that of articled clerks, it is unnecessary for me to consider it here in its larger aspect. The only way in which to avoid liability in respect of such clerks would seem to be the somewhat heroic one of paying them more than £250 per annum, a solution doubtless very acceptable to them and their parents and guardians—I say nothing of the employer, who is a negligible quantity in modern social legislation.—OUR LEGAL CONTRIBUTOR.]

Good Friday as Sunday in Clubs.

[Clearly can open as on other week days.—OUR LEGAL CONTRIBUTOR.]

(To the Editor of The Accountant.)

SIR,—May I reply to "Ara" that he is quite correct. Good Friday is an ordinary weekday, and the rule as to hours of opening on Sundays does not affect that day.

Yours truly,

London, 10*th April* 1907. B. T. HALL.

Assignment of Book Debts.

(To the Editor of The Accountant.)

SIR,—Is it legal for a trader to assign his book debts to a creditor without such assignment being registered? If so, how long should such a charge stand to be good against a trustee in bankruptcy?

Yours truly,

April 15*th* 1907. CURIOUS.

[An assignment of book debts does not require registration, but notice should be given to the debtors.—ED. *Acct.*]

Income Tax Assessment below Profits.

(To the Editor of The Accountant.)

SIR,—A limited company whose profits are rising each year is assessed on an average of previous years. Dividends, are declared and the tax deducted from these before payment to the shareholders, together with the tax deducted from debenture interest, exceeds the amount of tax paid to the Inland Revenue authorities. Is the company liable to the Inland Revenue authorities for this excess as tax collected on its behalf? The question, of course, would not have arisen if the dividends had been declared "free of tax." I shall be obliged if you, or any of your readers, can give me an answer to my query.

I am, yours faithfully,

Sheffield, April 9*th* 1907. F. C. YOUNG.

[No: the excess should be carried forward as a Reserve.—ED. *Acct.*]

Depreciation, with special reference to the Accounts of Local Authorities.

(To the Editor of The Accountant.)

SIR,—Those of your readers who are acquainted with Professor Dicksee's book, "Depreciation, Reserves, and Reserve Funds," must have been considerably surprised at some of the views expressed by him in his recent lecture on the above subject, as reported in *The Accountant* of the 13th inst.

I quote from the chapter in the book referred to with the title of "Local Authorities and Depreciation":—

> "One of the most favourite arguments against provision for depreciation in connection with local authorities is that, inasmuch as loan capital has to be redeemed over a limited period of time, an exceptional condition of affairs is created, which vitiates the analogy between the accounts of local authorities and those of proprietary undertakings. Nothing can be more illogical. The difference—in so far as there is a difference—arises from the special circumstance that local authorities trade upon borrowed capital alone, whereas no other known form of proprietorship ever attempts anything so financially unsound. The unsoundness of any concern trading without capital is, of course, well known to those who have taken the trouble to study the causes of business failures; and it is on account of the irresponsible position naturally, and inevitably, assumed towards a business undertaking by those who, while responsible for its management, have no financial stake in the matter, that the Legislature, when allowing local authorities to trade, has insisted upon their only doing so when the undertaking is such as to show a reasonable margin of profit which will be sufficient not merely to cover current expenses, but also to enable the local authority to gradually acquire the undertaking as its own, free of debt, out of the profits so earned. Bearing in mind the low rate of interest at which local authorities can borrow, it is by no means unreasonable that the Legislature should have taken this line, and indeed it is

only of quite recent years that the suggestion has been seriously put forward that provision for the redemption of borrowed money absolved local authorities from providing for depreciation. As has already been pointed out in Chapter X., however, there is absolutely no connection whatever between paying off liabilities and earning profits, and under no possible circumstances can the payment of liabilities, as such, be a charge against revenue *per se*. Clearly, therefore, it cannot be such a charge against revenue as to absolve these undertakings from any ordinary customary charges which are absolutely essential to enable true profits to be determined.

These, however, are no new arguments, and doubtless those who are interested in the maintenance of the *status quo* will continue to assert that depreciation of wasting assets need not be provided for in connection with the accounts of local authorities because, before those assets have been worn out, the loans that were raised to enable the assets to be purchased will have been redeemed. The connection between the two matters is by no means clear; but it may be pointed out that, apart from the risk that the loans might not have been redeemed (which in the great majority of cases would appear to be extremely probable), at the best the ultimate position of affairs must be that, by the time the loan has been repaid, a more or less worthless and worn-out 'carcass' of an undertaking will be all that remains to show for it."

In contrast to this allow me to quote from the Professor's recent lecture:—

"The trading departments of local authorities differ from ordinary business undertakings in this somewhat material respect, that the Legislature—having foreseen that the various assets they would acquire as a result of capital expenditure would in the majority of cases not last for ever, but only for a limited number of years—has stipulated that the moneys borrowed to enable a local authority to pay for such assets must also only be borrowed for a certain limited number of years; and that during that period provision must be regularly made by way of a Sinking Fund to enable a sufficient amount of money to be set aside, and accumulated at compound interest, to redeem the loan on the date it becomes repayable. (And, in those few cases where an issue of irredeemable stock has been sanctioned, a Sinking Fund is also required; so that even although the original loan may never be actually paid off, it may be balanced by a corresponding amount of liquid assets upon the other side.) The effect of this stipulation, that there must be no permanent debt, is, of course, that, assuming the working life of the assets in all cases exactly corresponds with the period for which the loan has been granted, the amount set aside out of revenue during the time that those assets have been available for use as revenue-producers will exactly equal the whole of their cost; and consequently, although there may be minor errors with regard to the apportionment as between one year and another, the charge against revenue in respect of the Sinking Fund may, *under these peculiar circumstances*, be regarded as being the statutory equivalent for, and as taking the place of, the ordinary business man's charge for depreciation of assets.

It is true, of course, that the amount so set aside will not be available for the renewal of assets, for it will have to be employed in the repayment of loans, and the same money cannot be spent upon two purposes at the same time; but, when the original loan has all been paid off, the local authority can obtain power to borrow further moneys for such renewals as may then be necessary, thus restoring the *status quo*. The undertaking began life with no capital of its own, but only with borrowed capital, and it is not as a matter of law required to improve upon that position; for, were it required to do so, the necessary effect would be to compel the existing generation of ratepayers to pay for benefits which would be enjoyed by their successors, and this apparently is not, and never has been, the policy of the Legislature as applied to these undertakings."

The Professor will, perhaps, be able to reconcile the statement that "the Legislature, when allowing local "authorities to trade, has insisted upon their only doing "so when the undertaking is such as to show a reason-"able margin of profit which will be sufficient, not "merely to cover current expenses, but also to enable "the local authority *to gradually acquire the undertaking* "*as its own, free of debt, out of the profits so earned*" with the statement that "its policy has never been to compel "the existing generation of ratepayers to pay for "benefits which would be enjoyed by their successors." If the successors of the present ratepayers come into the possession of the tramways, &c. "free of debt" by reason of the action of the Legislature, it is surely a reasonable assumption that the policy of the Legislature is, and has been, to compel the existing generation of ratepayers to pay for the benefits to be so enjoyed by their successors.

Yours truly,

15th April 1907. DEPRECIATION.

Income Tax.

(*To the Editor of The Accountant.*)

SIR,—I should be glad if you, or any of your readers, could assist me as to the proper course to adopt in the following instance:—A man lends a company, say, £1,000, and takes a promissory note for that amount plus 10 per cent. interest payable at three months=£1,025. On maturity is the company entitled to deduct tax on the £25 interest before paying the bill?

A question also arises as to the liability of the secretary of a company to account for income-tax which

has been or should have been deducted from interest on payment thereof. In the event of a company going nto liquidation and the assets proving insufficient to pay the preferential creditors 20s. in the £, could the authorities call upon the official purporting to have deducted the tax to pay out of his personal estate any deficit in respect of tax so deducted? It would seem from the reading of the Act that the official deducting the tax is personally liable therefor, and is entitled to hold the amount thereof in his own hands until called upon by the authorities to account for it. If acted upon literally, however, this would cause many complications, and directors would be very unlikely to consent to possibly large sums being paid in this way to a secretary pending his accounting therefor to the revenue. In this connection some confusion appears to be caused by the refusal of the collectors to accept payment over of tax so deducted until demanded. I have recently been informed of a case where the secretary of a company was called upon to pay a very large sum after the company had been wound up and its assets distributed, he apparently being ignorant of his liability in the matter and no demand having been previously made for payment. I have not all the facts before me, but presumably he also acted as liquidator, and as such would be primarily responsible.

Hoping this letter may result in eliciting some valuable information on the points raised, and apologising for taking up so much of your valuable space,

I am, yours faithfully,

HERBERT M. GOWAR.

London, April 16th 1907.

The Cardiff Tramway Finances.

(*To the Editor of The Accountant.*)

SIR,—Municipal treasurers and accountants will read with much interest your leading article of the 9th ult., together with your note in last week's issue.

There is one point which does not seem quite clear, viz.:—Under what powers are the city rates to be called upon to assist in the accumulation of the proposed Depreciation Fund if the whole of the annual contribution of £5,500 is not met out of surplus on Revenue Account?

The Tramway Acts confer powers on corporations to make good any deficiency in the tramway revenue, not answered out of the Reserve Fund, out of the rate made *next after* such deficiency is ascertained; but this apparently only authorises the *actual* expenditure upon the maintenance of the undertaking during the year, and does not allow setting any sum aside for depreciation.

Therefore only those municipal tramway undertakings which are earning large profits can make adequate provision for depreciation.

Smaller undertakings, like Chester, which are burdened with a heavy unremunerative debt incurred in acquiring the tramways from the old company, and the costs of obtaining the Act of Parliament (ours is about £20,000), are just able to make both ends meet. To start a Depreciation Fund would at once bring about a charge upon the rates; and as this would appear to be illegal, the only course open seems to be that the permanent way, &c., should be continually maintained in as perfect a condition as possible.

Yours faithfully,

Chester, April 16th 1907. FRED. J. BECKETT.

Chartered Accountants' Students' Society of Kingston-upon-Hull.

The Law Affecting Partnership.

By LAWRENCE J. KIRKHAM, *Solicitor.*

Mr. J. J. CAMPBELL presided at a meeting of the above Society held on 19th December 1906, when Mr. LAWRENCE J. KIRKHAM, of Sheffield, read the following paper:—

In delivering, at the request of your Society, this lecture upon the law affecting partnership I do not wish to pose as an expert authority upon that branch of the law in particular. Nor is it possible, in the time at my disposal, to make any pretence of dealing—in detail, at any rate—with the whole subject of partnership law in all its many phases, and from the countless points of view from which so important a branch of the English law is capable of being considered.

My aim rather is to put before you, to the best of my ability, a brief outline of the law of partnership, and to treat in some detail those portions of partnership law which have seemed to me likely to be of interest and value to a Chartered Accountant for the purposes of his profession.

Although the principles of partnership law have been declared by the Partnership Act, 1890, which is a codifying statute, it is not safe to confine oneself to a perusal of that Act, if one desires a correct understanding of the law, and

it is well to remember that, by Section 46 of the Act, it is expressly declared that—

> "The rules of equity and of common law applicable to partnership shall continue in force, except so far as they are inconsistent with the express provisions of this Act."

In addition to this, it is often necessary, in order to arrive at a correct interpretation of a codifying statute, and, indeed, of *any* statute, to go behind the Act itself, and look into the previous state of the law, and the special causes or cases which have rendered it expedient that any particular section should be enacted. And, again, it is also of great importance to consider the statute in the light of subsequent judicial interpretations which may have been placed upon it.

Unfortunately for some of us—and perhaps fortunately for a few—the English law is not like "the law of the Medes and Persians, which altereth not." Changes are continually coming about; new interpretations constantly being placed upon old enactments. To keep abreast of the times one must be at all times a student, never relying upon the *letter* of a statute, but reading into it the subsequent decisions and dicta of the Courts.

To get a reliable view of partnership law, then, it is necessary to look at the Act of 1890, and at the state of the law before the Act; to consider what rules of equity and common law were left unaffected on the passing of the Act; and also to look for the subsequent changes in the law. But, at the same time, it is almost impossible to deal with the subject of partnership law without following somewhat closely the course of the Partnership Act of 1890.

Section 1 of the Act of 1890, as read with Section 45 of the same Act and Section 4 of the Companies Act, 1862, defines a partnership as "the relation which subsists "between any number of persons not exceeding twenty (or "ten in the case of a banking business) carrying on any "trade, occupation, or profession in common with a view "of profit."

Companies registered under the Companies Acts, incorporated under an Act of Parliament, or by letters patent, or by royal charter, and companies formed for working mines under the jurisdiction of the Stannaries Courts of Cornwall, are not partnerships within the meaning of the Act. Nor, of course, are charitable institutions, and the like; nor, indeed, any associations which cannot be said to be carrying on a trade, occupation, or profession, or whose purpose is not the making of profits.

Part-ownership, or joint possession, of any kind of property does not necessarily create a partnership, and, although a sharing of the profits resulting from carrying on a trade, occupation, or profession, is *primâ facie* evidence of the existence of a partnership, it is not *conclusive* evidence, and is liable to be rebutted. (Partnership Act, 1890, Section 2.)

The Partnership Act states, by way of example, several ways in which persons may receive a share of profits without thereby becoming partners:—

> The receipt of a debt or liquidated amount by instalments or otherwise out of profits;
>
> Receipt, by a servant or agent of a business, of a share in the profits as remuneration.
>
> Receipt, by the widow of a deceased partner, of a share of profits by way of annuity;
>
> Repayment of money lent for business purposes by a share of profits, or with interest varying with profits;
>
> Receipt of a share of profits in consideration of the sale of a goodwill.

None of these, *of itself*, necessarily creates a partnership. (Partnership Act, 1890, Section 2 [3].)

Generally speaking, if two or more persons agree to share not only the profits, *but also the losses*, of a business, they are liable as partners—at any rate, as between themselves. (*Walker v. Hirsch*, 27 Ch.D. 460.)

Persons selling a goodwill, and persons lending money under contracts for payment and repayment respectively by a share of profits, run the risk of being postponed in favour of other creditors of the buyer or borrower, in case the buyer or borrower be adjudged bankrupt, make an arrangement with his creditors for payment of less than 20s. in the pound, or die insolvent (Section 3), and they would not be entitled even to come in to *prove* their debt until all creditors for valuable consideration had been satisfied. (*Ex parte Taylor; in re Grayson*, 12 Ch.D. 366.) They are thus in a similar position to that of a married woman who lends money to her husband for the purposes of his business, in the event of the husband's bankruptcy. (Married Woman's Property Act, Section 2.) The lender, however, would be safe to the extent of any security he might hold. (*Re Vince*, 1892, 2 Q.B. 478.)

We have seen, then, that there may be profit-sharing without the existence of a partnership, but that persons sharing profits *and losses* are generally partners, as between themselves at least. It remains to be said that the real test as to the existence of a partnership was, before the Act of 1890, and still is, *What was the intention of the parties?* (*Cox v. Hickman*, 8 H.L. 268; *Walker v. Hirsch*, *supra*.) It may safely be said that, as a general rule, the question whether a partnership does or does not exist depends upon the answer to this test.

Although two or more persons have agreed between themselves to become partners, yet, if no definite term has been agreed upon, the Court will not enforce the agreement. (*Hercy v. Birch*, 9 Ves. 357.) If, however, a term has been fixed, the agreement will be enforced.

Company and Partnership Contrasted.

It may be well for us to remind ourselves before proceeding further of some of the points in which a partnership differs from a company registered under the Companies Acts. This we must do very briefly, and without going into details; and the first difference is, of course, suggested by the name "limited company," which reminds us that the liability of shareholders in a limited company is a liability *limited* by their respective shares, or by guarantee, as the case may be, whereas the liability of members of a partnership for the debts of their firm is unlimited.

The creditors of a partnership firm are creditors of the individuals who constitute the firm, and can, on obtaining a judgment against the firm, issue execution against the property of the partners; but in the case of a company, the only remedy of the creditors is against the company as a body corporate. (*Oakes v. Turquand*, L.R. 2 H.L.)

A company, moreover, is in law a separate and distinct *person*, quite apart from the individuals who subscribe the memorandum of association, and thus there can be contracts entered into between an individual shareholder and the company; while a partner, of course, cannot make a contract with his firm as a distinct person, for the firm is made up of individual members, and is not itself, in law, a person. (*Re Sheffield, &c., Society*, 22 Q.B.D. 476; *Salomon v. Salomon & Co.*)

And so, even in the case of a so-called "one-man company," where a man is the sole shareholder (save that six persons hold one share each for the purposes of the memorandum of association), contracts made by him with the company, though the company and himself are really one and the same person, are perfectly valid, and his goods cannot be taken under an execution for the company's debt, as is strikingly illustrated by the leading case of *Salomon v. Salomon & Co., ante.*

A partner, as we shall see, is an agent of the firm, and, as such, can enter into contracts binding the firm; whereas, of course, a shareholder is not an agent of the company whose shares he holds.

Again, in the case of a partnership, any terms can be introduced, by agreement, between the partners themselves, while certain things are illegal in the case of a registered company; and while alterations can be made as often as the partners see fit in the regulations of their firm, a company cannot, without the leave of the Court, alter its memorandum of association and increase its powers, notwithstanding that every member has agreed to the change. (Companies (Memorandum of Association) Act, 1890.)

The constitution of a company can be, and continually is being, changed, for shares may be freely transferred from one person to another; but a member of a partnership firm cannot transfer his share without the consent of all his co-partners (that is to say, such an assignment would only affect the profits arising from the share assigned), and a change in the constitution of a partnership will ordinarily bring the partnership relation to an end and cause a dissolution. (*In re Garwood's Trusts*, 1903, 1 Ch. 236.)

One could, of course, continue multiplying these examples of points in which a limited company contrasts with a partnership firm, but enough has been said, I think, to outline the main points of difference.

I want now briefly to refer to the peculiar position of certain persons who may be connected with a partnership firm, and to draw attention to their respective rights, duties, and liabilities.

Persons may be involved, in various degrees, in the affairs of a firm, and it will be useful to compare their degrees of liability, according as they are *actual* partners, *quasi* (or *nominal*) partners, *dormant* partners, *new* partners, or *retiring* partners.

Of *actual* partners we shall treat at a later stage.

Persons become "nominal partners"—or, as they are, I think, more appropriately styled, "quasi-partners"—when they so act as to lead other persons to believe them to be partners, or where, with their knowledge and acquiescence, they are represented by others as being in the position of partners. The liability incurred by persons who so "hold themselves out" to be partners in the firm, arises through the principle of "estoppel"—that is to say, that if, on the faith of the conduct of such persons, outsiders are led to give credit to the firm, such persons are "estopped" from denying their liability as partners to those who have so given credit. (Partnership Act, 1890, Section 14.)

A *dormant* partner is a person who takes no active part in the business carried on by the firm, and often is not known by outsiders to be a partner, though he shares in the profits of the business as though actually a partner. All that need be said about such a person is that there is no difference between his liabilities and those of actual partners, and, when discovered, he may be treated as an actual partner for all intents and purposes, though in other points than as to liabilities there may be differences between dormant and active partners. For example, notice to a dormant partner of any matter relating to the business would not be notice to the firm, as it would be if given to an active partner. (Section 16.)

We next come to speak of *new* partners. A person cannot be introduced into an existing firm as a new partner without the consent of *all* the existing partners (unless the partnership articles otherwise provide). When a new partner has been introduced he is not liable to creditors of the partnership in respect of things done before he became

a partner, though he will be subject to new liabilities, notwithstanding that they arise from old contracts entered into before he became a partner.

As regards *retiring* partners, it must first be said (as will be noticed later) that the retirement of a partner where there was no fixed period of duration for the partnership will, in the absence of agreement to the contrary, bring about a dissolution of the partnership. (Section 32 [*c*], Section 26 [1].) Where, however, the retirement is not bringing about a dissolution, the retiring partner ordinarily remains liable for things done by the firm and debts contracted *while he was a partner*, but he will not be liable for debts and liabilities arising after his retirement, unless, of course, by his conduct he renders himself liable as a quasi or nominal partner in the manner before mentioned. (Section 17.) And he will not be liable in respect of the price of goods *ordered* while he was a partner, but not delivered until after his retirement. (*Bagel v. Miller*, 1903, 2 K.B. 212.)

And a retiring partner may also, by means of what is known as a "novation"—that is to say, by entering into an arrangement, express or implied, with the new firm *and the creditors*—free himself from responsibility, even for debts and liabilities incurred while he remained a partner. (Section 17 [3].)

A continuing guaranty given to a firm or to a third person in respect of transactions of the firm is revoked by a change in the firm's constitution, unless there is an agreement to the contrary. (Section 18.)

A retiring partner is perfectly at liberty to trade in rivalry to the firm (in the absence of a contrary agreement or stipulation), and this even when he has sold the goodwill to the firm. And, under the latter circumstances, nothing need prevent his dealing with former customers of the old firm, provided he do not actually *solicit* their custom, which, of course, he is *not* at liberty to do. (*Leggott v. Barrett*, *Trego v. Hunt*.)

If the firm continue to trade with capital belonging to a retiring partner after he has left the firm, such retiring partner may adopt one of two courses: He may either claim interest at the rate of 5 per cent. per annum on the amount of his capital so employed, or else he may ask the Court to say to what share of profits he is entitled in respect of his capital. (Section 42.) And (subject to any contrary agreement) any amount due to an outgoing partner in respect of his share is a debt accruing at the date of his retirement. (Section 43.)

Both the last-mentioned provisions are applicable, not only in the case of the retirement of a partner, but also as between the firm and the representatives of a deceased partner.

In case of the retirement of a partner it is always expedient for him to insert an advertisement of his retirement in the *London Gazette*, and he may compel the remaining partners, or any of them, to sign a notice or do any other act which may be necessary in this behalf.

We have now glanced briefly at the facts which go to constitute a partnership firm, and at some special varieties of the partnership relation. We are next to consider the position of the members of a firm, both jointly and as individuals, as regards the outside world.

In carrying on the business of the firm every partner is an agent of the firm and of the other partners, and consequently the law affecting the partners in this relation is, in most points, similar to the law of "principal and agent." (Section 5.)

And even though a partner has actually no authority to do a particular act on behalf of the firm, he will by doing such an act bind the firm and the other partners, if the act was done in the course of business and for the carrying out of business of the kind carried on by the firm, *unless* the person with whom he is dealing either *knows* that he has *no authority*, or does *not know or believe him to be a partner*.

There are certain things which one partner alone cannot do so as to bind the firm. A partner cannot bind the firm by submitting a matter to arbitration. (*Stead v. Salt*, 3 Bing. 101.) Neither can he give a guarantee binding upon the firm. (*Hasleham v. Young*, L.R. 5 Q.B. 833; *Brettel v. Williams*, 19 L.J. Ex. 121.) Nor can he bind his firm by borrowing money, unless the firm is a *trading concern*, and the money borrowed *for the purposes of the business*.

Just as an agent may not execute a deed on behalf of his principal unless authorised by deed, so a partner may not execute a deed on behalf of his firm unless he is expressly, *and by deed*, authorised to do so. (Proviso to Section 6, Partnership Act, 1890.) (If so authorised he may sign the firm-name, or sign his own name, stating that the execution is on behalf of the firm.)

There is one exception to this rule—namely, the case of a *release*, which, if executed by a partner on behalf of the firm, will bind the firm and the other partners, notwithstanding that it be by deed.

Thus where a partner represents his firm at a meeting of creditors he may bind his firm by executing a deed of assignment for the purpose of releasing his firm's debt.

And notwithstanding what has been said as to the execution of a deed, if the deed is executed by one partner *in the presence of* the other partners, and with their *express consent* (though not by deed), and relates to matters in which the members of the firm have a common interest, the execution will be valid and binding on the firm. (*Bell v. Dunsterville*, 4 T.R. 313.)

If a partner pledges the firm's credit for a purpose apparently not connected with the firm's ordinary course

of business, *the firm* is not bound, unless he is in fact specially authorised by the other partners. (Section 7.) (But the partner himself may incur an individual liability.)

Liability "ex contractu."

The liability of partners for the debts of their firm is a *joint* liability only, and *not* joint and several (Section 9), though on the *death* of a partner his estate, after the payment of his separate debts, is also severally liable for such debts, so far as they remain unsatisfied. (*Kendal v. Hamilton.*) Therefore if a creditor obtains a judgment against *some* of the partners in a firm he cannot afterwards bring an action against the remaining partners, unless he has another *cause of action.* (*Wegg-Prosser v. Evans.*)

Liability "ex delictu," Sections 10, 11, 12.

The liability, on the other hand, where any loss, injury, or penalty is incurred by reason of the wrongful act or omission of a partner acting in the ordinary course of business, or with the authority of his co-partners; or where a partner misapplies money or property of a third person which it was apparently within the scope of his authority to receive; or where a partner or partners misapply money or property of third persons received by the firm in the course of its business, is in each case a *joint and several* liability.

An admission or representation by any partner concerning the partnership affairs, and in the ordinary course of business, is *evidence against the firm.* (Section 15.) Also notice to a *partner habitually acting* in the business of any matter relating to the partnership affairs is notice to the firm, unless it happens that the partner who so received notice is engaged in committing, or consenting to the commission of, a *fraud* on the firm. (Section 16.) (This is an *extension* of the law of principal and agent, which, we have seen, applies generally between a firm and the individual partners, for notice to an agent is notice to his principal *only* if it is given in the same transaction.)

In considering the rights, duties, and liabilities of partners as regards the *internal management* of the partnership business, it must be remembered that the provisions of the Act of 1890 in this respect may be varied or excluded by agreement between the parties.

Every partnership, as we have seen, is constituted by *an agreement.* It may be an *express* agreement; it may be an agreement *implied* from conduct; it may be *written;* or it may be *verbal;* and it may even be contained in a document prepared for a totally different purpose. (*Lisle v. Reeve*, 1902, A.C. 461.)

But it is impossible to exaggerate the great importance of having all the terms of the partnership; the period for which it is to remain in existence; the respective shares of the partners in profits and losses; the rights, duties, and liabilities of the partners; rules as to the referring of disputes to arbitration (if thought expedient); provisions as to the audit of the Partnership Accounts, and other matters concerning the internal arrangements and management of the partnership business, properly set forth and embodied in a document correctly drawn up, and *signed* by all the partners. Such a document is generally known as the "Articles of Partnership."

Many a disaster would be averted if every partnership from its commencement were regulated by carefully considered partnership articles.

All men, though they may be brothers, have not the imperturbable disposition of the "Brothers Cheeryble." Few are the firms whose individual members have in each other the implicit trust and confidence which existed between Daniel Doyce and Arthur Clennam, of the firm of "Doyce & Clennam," renowned in fiction. Differences, we are told, will arise, even in the best regulated of families; and differences will, and do, arise in partnerships, even between friends and relations. "Prevention is better than cure," and the surest preventive of partnership squabbles and disagreements is to commence every partnership business on sound lines, carefully mapped out and agreed to between the partners, and embodied in the articles of partnership.

Of course, the provisions of the Act of 1890, where subject to variation by agreement between the parties, may be varied by an agreement either *express* or *implied.* And even where the regulations of the partnership business have been embodied in a partnership deed, they may be varied by *consent of all* the partners, and such consent may be either *express* or *implied.*

In the absence of any agreement (express or implied) the capital and profits of the business belong to the partners in equal shares, and each is liable in an equal degree for losses. (Section 24 [1].)

A partner making payments, or incurring liability, in the ordinary course of business, or in doing any act which was necessary for the preservation of the business or partnership property, is entitled to be indemnified.

If a partner, for business purposes, makes a payment or advance exceeding the amount of his agreed capital, he is entitled to interest on such excess at the rate of 5 per cent. per annum, but not until the profits have been ascertained.

All the partners are entitled to take part in the management of the business, but none is entitled to remuneration for so doing, beyond the receipt by him of his proper share in the profits realised. And every partner is to have access to the books of the partnership (which must be kept at the firm's principal place of business) whenever he thinks fit, and is to be at liberty to make extracts from such books. (Section 24 [3].) And he may, if he thinks fit, employ an accountant to inspect the books on his behalf, and to make such copies therefrom. (*Bevan v. Webb*, 1901, 2 Ch. 59.) But if he has sold the goodwill to the remaining partners,

and is leaving the firm to trade in opposition or competition, he is not entitled to extract particulars of the firm's customers for the purpose of *soliciting* orders (*Trego v. Hunt, supra*), though (as we have seen) if such customers come to him of their own free will, he is entitled to trade with them. (*Leggott v. Barrett, supra.*)

All the partners must consent before any new partner can be introduced, and also before any change is made in the nature of the partnership business (Section 24 [7]); but differences as to ordinary matters occurring in the course of business may be settled by a majority of the existing partners. (Section 24 [8].)

A majority cannot expel a partner, unless power to do so has been conferred by agreement, which agreement *must be express*, and not implied. (Section 25.)

We have seen that a partner who has sold the goodwill, and is retiring from the business, is not prevented from carrying on another business of the same kind and competing with the partnership business, provided that he does not canvass the customers of the partnership. A partner, however, *so long as he remains a partner*, is not at liberty, without the consent of his co-partners, to carry on, on his own account, "any business of the same nature as and competing with" that of the firm. If he does so, he must account to the firm for all profits made thereby, and pay over such profits to the firm. (Section 30.) It will be noticed that there is nothing to prevent a partner from being engaged in a business of *another* description, or even one of a *similar* description, if he is in a position to show that it is not in any way a *competing* business. And, of course, the partners may in the articles of partnership make whatever stipulations and regulations they please as to matters of this kind.

A partner must render true accounts and give full information of all things affecting the partnership to any other partner, or his legal representatives (Section 28); and if any partner receives any benefit or profit without the consent of his co-partners from any transaction concerning the partnership, or from any use by him of the partnership *property, name*, or *business connection*, even when a winding-up is in process, he is likewise bound to account therefor to the firm. (Section 29 [1] and [2].)

There is nothing to prevent a partner from assigning his share in the partnership without the consent of the other partners, but the assignee is not entitled to interfere in the management of the business, nor to any of the general rights of the assigning partner (not even the right to an account, except in the case of a dissolution, when he may call for an account for the purpose of ascertaining his share of the profits). He is simply entitled to receive the assigning partner's *share in the profits*.

The partner who so assigns his share remains subject, for the most part, to all the liabilities of the partnership as though still a partner, so long as the partnership continues; so that it is of great importance that the assignee of his share should give him an *indemnity* against any such liabilities, and upon such an indemnity the assigning partner is entitled to insist. (*Dodson v. Douney*, 1901, 2 Ch. 670.)

Property.

As regards the *property* of the partnership, all property and rights and interests brought into the partnership stock, or in any way acquired on account of the firm, or in the course of the business, must be applied exclusively for the purposes of the partnership and in accordance with the partnership agreement. (Section 20.)

Where persons who are joint owners of land are partners as to the profits made by the use of the land, they are not necessarily partners as to the land itself, and whether they *are* partners as to the land itself *or not* depends upon their method of dealing with the land (Section 20 [3]); and if they have for some time—for instance, in their periodical accounts—treated the land as partnership assets, this will be evidence that they are in the position of partners as regards the land. (*Waterer v. Waterer, Crawshay v. Maule.*)

If they subsequently buy other land, and treat the profits in a similar manner, the newly acquired land will be held by them for the same respective interests as they had in the land already held. (Section 20 [3].)

And where property is bought with partnership money it is deemed to be bought on account of the firm, unless the contrary is shown. (Section 21.)

It is often a question of great importance whether land held by persons trading in partnership is property of the partnership; for if it is partnership property, then, as between the partners or their representatives, and also as between the heirs, executors, or administrators of deceased partners, the land, though freehold, will be *treated as personalty*, provided that no contrary intention appears. (Section 22.)

The partnership property cannot be taken in execution under a judgment against one partner, but only under a judgment against the firm; and the course to be adopted by a judgment creditor in order to get the benefit of the share of a partner against whom judgment has been obtained is to apply for a charging order upon the partner's interest, and the Judge may appoint a receiver of the share of such partner. The other partners may redeem the interest of a partner whose share is so charged.

Dissolution.

We have seen how partnerships are constituted, and what rules affect the internal management of a partnership business while it exists. We are now to consider when and how a partnership is terminated, and what is the effect of

such termination upon the property of the partnership, and the rights, duties, and liabilities of the partners.

First, then, let us glance briefly at the various ways in which a partnership may be dissolved.

A dissolution may be brought about—

(*a*) By mutual consent,
(*b*) By operation of law, or
(*c*) By order of Court.

As regards the first of these, nothing further need be said; for, just as the partners (as we have seen) came together by mutual agreement and of their own free will, so they may by mutual agreement and of their own free will bring the partnership relation to an end. And also, by virtue of the Partnership Act, 1890, if no fixed term has been agreed upon for the duration of the partnership, *any* partner may, *without* the consent of all the partners, determine the partnership by giving notice of his intention so to do to all the other partners. (Section 26, Section 32.) And in such a case the partnership is dissolved as from the date mentioned in the notice as the date of dissolution; or, if no date is there mentioned, from the date when the notice is communicated. And the partnership from that time is at an end, save for the purposes of the winding-up. (Section 32.)

The articles of partnership may contain stipulations as to dissolution, and, of course, may contain a provision to the effect that one partner may terminate the partnership by notice, although a definite term was fixed by the agreement for its duration.

As to dissolution occurring by operation of law, this may come about in several ways.

(1) Upon the *death* of a partner (unless the articles or agreement otherwise provide).

And we may in passing glance at the position of a deceased partner's executors. The executors of a deceased partner are not partners in his stead, unless the partnership agreement provides that they *may* be so, in which case they may elect to become partners; or unless they have interfered unduly in the management of the business; in either of which cases they will become personally subject to the liabilities of partners.

(2) On the *bankruptcy* of a partner.
(3) When the *objects* for which the partnership was entered into no longer exist.
(4) By the happening of any event which makes it unlawful for the business to be carried on, or for the members of the firm to carry it on as partners.
(5) Upon the conviction of a partner for felony.

The partnership may be dissolved by the remaining partners, at their option, if a member suffers his share to be charged for his separate debt.

Dissolution by *order of the Court* may come about for various reasons, some of which are given in the Act of 1890. (Section 35.) The Act, however, does not pretend to enumerate *all* the cases in which the Court will grant a decree of dissolution, but states that it will do so "whenever it is just and equitable" so to do. (Section 35.) Some of the reasons for a decree of dissolution are as follow:—

Gross misconduct of a partner.

Persistent disobedience to the partnership articles on the part of any partner. (But the Court will not concern itself in the mere petty quarrels of the partnership.) (*Wray v. Hutchinson*, 2 My. & K. 235.)

If a partner wilfully and persistently neglects the business, or becomes insane.

If there are such dissensions among the partners that all mutual confidence is destroyed.

And where the business can only be carried on at a loss the Court will decree a dissolution; as also where the partnership in its origin was fraudulent, in which latter case the dissolution will relate back to the commencement of the partnership (*Rawlins v. Wickham*, 1 Giff. 355); and the person entitled to rescind has a "lien" on, or right of retention of, the surplus of the partnership assets for money he has paid for the purchase of a share, or in contribution towards capital (subject, of course, to the satisfaction of the firm's liabilities). He is also entitled to stand in the place of the firm's creditors in respect of payments made by him to satisfy the firm's liabilities (Section 41); and he is further entitled to be indemnified by the person guilty of the fraud or misrepresentation against *all* the debts and liabilities of the partnership.

When the dissolution has come about in any of these ways, as has already been said, the authority of the partners, and their rights and liabilities, remain for the purpose of the winding-up, though not otherwise. (Section 38.) (And it must be remembered that in no case is the firm bound by the acts of a bankrupt partner.)

The partnership being in course of dissolution every partner may insist upon having the partnership property applied: *first*, in discharge of the firm's debts and liabilities, and, as to the surplus, in payment of what is due to the respective partners, setting off any sums due from them to the firm. (Section 39.)

The discretion of the Judge, in an action for dissolution of a partnership, is a very wide one, and one with which an Appeal Court will not readily interfere, and it is for him to fix the *terms* on which the dissolution shall be carried out. In exercising this discretion he may, if he think fit, order the return or apportionment of a premium paid by any partner, unless such partner's misconduct has brought about the dissolution, or unless the dissolution is by agreement which contains no provision in that respect. (Section 40.)

Section 44 of the Act of 1890 is one of great importance, setting forth, as it does, the rules as to the settling of the accounts between the partners in case of dissolution—rules which apply, of course, only so far as they are not excluded, varied, or augmented by the partnership agreement.

By these rules, the *losses* of the business (including losses and deficiencies of capital) are first to be paid. And the first fund, out of which this is to be done, is that formed by the *profits* of the business. That being exhausted, the *capital* is next to be resorted to; and when that fails, the individual partners must be called upon to contribute in proportion as they were entitled to share in the profits.

The *losses* having been made good, and the assets having thus been ascertained, such assets are (subject, again, to any agreement upon the matter) to be applied: *first*, in discharging the outside debts and liabilities; *secondly*, in paying the costs of the action for dissolution (if the dissolution is by order of Court) (*Ross v. White*, 1894, 3 Ch. 326.); *thirdly*, in repaying advances made by partners; *fourthly*, in paying to each partner what is due to him in respect of capital; and, *lastly*, if any residue remains, this is to be divided among the partners as though it were profits.

These rules may be varied, extended, or excluded, by provisions in the partnership agreement.

Let us now see, briefly, how the law of bankruptcy affects the partnership relation.

As we have seen, the bankruptcy of a partner brings about a dissolution of the partnership, unless otherwise agreed.

Any bankruptcy proceedings against another partner after a receiving order has been made against his co-partner must be brought in, or transferred to, the Court where the previous proceedings are going on. (Bankruptcy Act, 1883, Section 112.)

In realising the bankrupt partner's estate, his trustee may, with the sanction of the Court, bring actions in the names of the trustee and the bankrupt's partner or partners. And the other partners cannot execute a valid release of any claim to which such an action relates. (Bankruptcy Act, 1883, Section 113.)

And the remaining partners may sue or be sued in respect of the joint contracts *without* the joinder of the *bankrupt partner*. (Bankruptcy Act, 1883, Section 114.)

The separate creditors of a bankrupt partner cannot prove against the joint estate of the partnership until provision has been made for the satisfaction of all the joint liabilities. Section 40, Sub-section 3, of the Bankruptcy Act, 1883, provides that:—

"In the case of partners the joint estate is to be "applicable in the first instance in payment of their joint "debts, and the separate estate of each partner is to be "applicable in the first instance in payment of his separate "debts." And that "If there is a surplus of the separate "estates, it is to be dealt with as part of the joint estate." And, "If there is a surplus of the joint estate, it is to be "dealt with as part of the respective separate estates, in "proportion to the right and interest of each partner in the "joint estate." (Bankruptcy Act, 1883, Section 40.)

But, where there is *no* joint estate and *all* the partners are insolvent, joint creditors and separate creditors will rank *pari passu* for dividend out of the separate estates. (*In re Budgett*, 1894, 2 Ch. 557.)

A creditor to whom the partners are jointly indebted may *prove* in the bankruptcy of an individual partner for the purpose of *voting* at a meeting of creditors, and may *vote* at such meeting (Schedule 1, Rule 13), although he cannot *receive a dividend* out of the separate estate until all the separate creditors have been paid in full.

But if such joint creditor is also a *petitioning creditor* in the bankruptcy of the individual partner, he may receive a dividend out of the separate estate. (*Ex parte Hall*, 9 Ves. 349; *Ex parte Ackermann*, 14 Ves. 604.)

And if a creditor has a sufficient debt to enable him to present a bankruptcy petition against the firm, he is entitled to present a petition against an individual partner without including his co-partners. (Bankruptcy Act, 1883, Section 110.)

As I have repeatedly remarked, almost all the rules declared by the law, in matters of partnership, are subject to alteration, modification, extension, or exclusion, and partners are at liberty to fix their own terms, make their own rules, regulations, and stipulations, and generally to manage the business of their firm just as they think fit.

Not only is it important, then, for the terms of the partnership to be carefully thought out and clearly set forth, but it is also necessary for all who have any part in the management of the business of the partnership to be familiar with the terms fixed by the agreement between the parties, and to know the position of each respective partner in the firm and his relation to his co-partners. For, since the codified law as to partnership is subject, at every step and turn, to be varied at the will of persons entering upon the partnership relation, it is rarely safe to presume that any rule stated by the law as to the management of a firm is actually a term of any particular partnership.

They who are responsible for the enactments of the law as to partnership were authorities upon the subject, and it were presumption on my part, with my opinion backed only by the few short years that I can number, to criticise the results of their learned efforts—and this I shall not, of course, attempt to do.

But if there were one suggestion which I would like to venture it would be this—that some of the rules declared by the law as to partnership should be declared with all the force of law, and not so often weakened by the insertion of an option to exclude or vary them. At some points, of course

one must acknowledge that such an option is a great advantage, and it would never do to hedge in too much by restriction and decree so beneficial a relationship as that which exists between the members of a partnership. On the other hand, many provisions of the Partnership Act are so *good*, and so obviously *expedient*, that one may be excused for wishing they had been made compulsory instead of optional.

Still, the object of the Legislature, no doubt, was to allow the widest possible scope for the wishes of partners who come together of their own free will, and for their mutual advantage; and perhaps, after all, this is an object deserving of commendation.

The freedom given to partners, however, in the formulating of the rules by which they are to govern their concerns is only another reason for emphasising the great importance of leaving nothing to doubt and inference and implication, but providing in clear and concise form, in correctly drawn up articles of partnership, for every contingency likely to arise, and every detail in the management of the partnership affairs.

I now come to a conclusion, and there remains nothing further for me to do than to tender my thanks to those who have given me such patient attention, to apologise for the many shortcomings you have noticed during the course of my remarks, and to express a hope that I may have done at least something to help you to a better acquaintance with the principles of the law affecting the partnership relation.

Institute of Directors.

The Question of Depreciation and the Measurement of Expired Outlay on Productive Plant: A Plea for the Study and use of Better Methods.

By P. D. Leake, Esq., F.C.A., F.I.D.

A paper read at a meeting of above Institute on March 13th 1907.

Importance of the Subject.—The great importance to all interested in industrial undertakings of determining the best method of measuring and providing for depreciation, which I have here called Expired Outlay on Productive Plant, must be my excuse for venturing to invite your attention to the matter as the subject of this paper.

Present Common Neglect and Casual Treatment have become intolerable.—The fact that the ultimate success or failure of so many productive industries largely depends upon the adequate and proper recognition of this question is not sufficiently realised; but the urgency of the subject constantly increasing in importance, and has been gradually accentuated for years past, owing to the great extension of joint-stock enterprise, and more recently of municipal trading, the former causing very grave responsibilities to be assumed by directors, while responsibility in the latter case is in a more nebulous state. I do not think it is too much to forecast that the whole question of the measurement of and due provision for depreciation of productive plant is now assuming such vast public importance that in the near future it will be necessary for the protection of the community at large, as well as of directors of public companies, to insist upon the use of more advanced and enlightened methods, the present too common happy-go-lucky, do-as-you-please treatment of the subject having become intolerable.

No Profit can exist until Expired Outlay on Productive Plant has been provided out of Gross Revenue.—One of the most vital matters connected with productive industries and trading concerns is the regular assessment with substantial accuracy of the annual net profit or loss which has resulted from the operations of each year; and unless a near approximation to the outlay on productive plant which has expired within each year is made and fully provided for out of gross revenue, no correct statement of profit or loss can be obtained. This does not seem to be altogether appreciated, if we may judge by some company reports and speeches to company shareholders, as well as by comments in the financial press, for it is often stated that the profit earned for the year is so much, out of which it is proposed to set aside such and such a sum for depreciation of plant and machinery.

Definition of Productive Plant.—It is startling to find what a very large part of the capital of industrial undertakings of all kinds has been expended upon productive plant, which may be defined as consisting of "all perishable material property owned by an undertaking other than that primarily intended for resale." It covers therefore all buildings, plant and machinery of manufacturers, all buildings, plant and machinery of mining companies, the way, bridges, works, stations, rolling-stock, and all equipment of railway and tramway companies, other than land in each case. Again, most of the capital of electric lighting and power companies, gas, water, and omnibus companies, cable, telegraph, and telephone companies, shipping and dock companies, is invested in productive plant, as well as that of many other undertakings, whether carried on privately or under the Companies Acts or otherwise. The undertakings least affected are banking, insurance, investment, and finance companies.

Investment therein is nothing more than Payments in Advance on Revenue Account.—All this capital invested in productive plant is invested in nothing more substantial than in payments made in advance on Revenue Account, which are presumably unexpired. Therefore, the whole of

such capital has ultimately to come back out of gross revenue. About this there is no room for doubt; but where difference of opinion arises is, when is it to come back out of gross revenue? The extreme efficient economic life period of any class of productive plant scarcely ever exceeds one hundred years, and rarely exceeds fifty years, the most common life period being perhaps between ten and thirty years.

Capital Outlay on Perishable Productive Plant in 1905 *and* 1906.—It is remarkable to notice what a large proportion of the enterprises which appealed for capital under the English law during even the last two years, 1905 and 1906—which were lean years—propose to apply this in the purchase of perishable productive plant, as the following list shows:—

Description	1905	1906
	£	£
British Railways	2,806,800	6,924,500
Indian and Colonial Railways	16,702,500	7,023,500
Foreign Railways	22,600,600	15,554,800
Breweries and Distilleries	1,628,700	304,800
Manufacturing	2,615,300	2,849,200
Iron, Coal, Steel, and Engineering ..	3,249,900	3,668,100
Electric Lighting, Power, Telegraphs, &c..	2,837,700	5,316,400
Tramways and Omnibus	5,595,500	2,669,100
Motor Traction and Manufacturing ..	—	4,143,500
Gas and Water	880,500	1,326,500
Docks, Harbours, and Shipping	4,371,500	1,212,800
Total	£63,289,000	£50,993,200

This is exclusive of the large sums of money lent during these two years for municipal trading purposes. The figures are taken from the supplement to *The Economist* of February 16 1907.

Other Capital Outlay.—Capital invested in the purchase of goodwill or in property of any kind primarily intended for resale does not come within our consideration; and any alteration in value, either up or down, which may take place in such assets as goodwill, including patents, or in the value of bodies of coal, mineral, and other ores, we are not now concerned about, as these do not fall within the definition of productive plant; and although it is customary and prudent to set aside profits to cover actual or possible diminution in the value of property of this kind, it should always be remembered that sums so set aside are true profits to the extent that all operative industrial expenditure incurred in the process of earning them has been duly provided for. That such profits may come from an enterprise of an essentially and admittedly wasting character, possessing unknown capacity, does not divest them of the character of legal profits. On the other hand, no profits can emerge from an undertaking until each year's expired outlay on productive plant, being part of the operative industrial expenditure, has been taken out of gross revenue.

Outlay on Productive Plant compared with other Advance Payments.—To my mind, money invested in productive plant, being nothing more than a payment made on Revenue Account in advance, may be compared with a premium paid in advance to cover, say, seven years' fire insurance. Such a payment is, in fact, sometimes made in order to secure better terms than would be obtained by paying an annual premium; and there is, in such case, no doubt that one-seventh of the sum paid would be charged to Revenue Account each year, until at the end of the seventh year the last instalment of one-seventh of the original payment would have come back out of gross revenue.

And such Outlay should be treated in the same way.—Therefore, if an undertaking lays out, say, £6,000—being part of its capital provided for that purpose—in the purchase of a certain kind of productive plant which its competent and responsible officers declare, after taking into account the ravages of use and time and the probabilities of obsolescence, is likely to have an efficient economic life of ten years, should not one-tenth of £6,000 be taken out of gross revenue every year as a proper charge for the use of that plant? I cannot follow the argument that because the plant has been well maintained and is working more smoothly at the end than at the beginning of the first year of its life, no part of the original cost need come back out of the gross revenue of that first year. A man occupying a new house may have spent a large amount of money in making good unsuspected defects, and at the end of the first year of his occupation the house may be much more suitable for occupation than it was at the beginning; but he has to pay the annual rent-charge for his use of the house, which includes a full provision for the year's expired life.

Treatment should be similar whether life be one or more years.—Then, again, if the productive plant purchased with this £6,000 had been completely used up and exhausted in the business of the undertaking, exactly within an account period of one year, no one would suggest that the profit on the year's working could be ascertained until this £6,000 had come back out of revenue. Is, then, the fact that this outlay incurred on Revenue Account does not all expire within an exact account period of one year any reason for neglecting to refund out of the year's gross revenue the year's expired portion of the outlay? There is, of course, no particular virtue in a period of one year, save that it is usual to ascertain trading results at the end of each three hundred and sixty-five days.

Depreciation is an Operative Expense as much as Operative Wages.—Further, the depreciation of productive plant occurring each year is an operative expense as much as operative wages; and productive plant has two very marked characteristics—one being that, other things remaining the same, it tends to fall in present value to a

willing purchaser, having equal opportunities for employing it, in direct relation to the proportion of its economic life period which has expired, and the other marked characteristic being that the advantages or consideration obtained by the undertaking from the existence of its productive plant are spread with approximate evenness over the whole period of the economic life of the plant. In assessing this operative expense, therefore, the nearest approach to accuracy will be obtained by estimating the life of each class of productive plant with due regard to all known facts as well as to probabilities, and basing the assessment upon this. The narrow view mentioned above, that if productive plant has been well maintained and works as well as ever, depreciation may be omitted from operative expense, or only provided out of surplus revenue when convenient, is a dangerous fallacy.

Regular in Place of Irregular Depreciation Provision.—Although this may seem rather a startling view, it will be found that it only means the provision out of gross revenue of a fairly regular annual sum, which will amount over a series of years to no more than is now taken out of the gross revenue of any sound enterprise at irregular intervals to pay for renewals of productive plant at or about the time the cost of these is actually incurred, which method often gives good ground for bitter complaint to those who happen to be holders of deferred, ordinary, and lower preference classes of shares at the time when a sudden call of this kind is made upon the balance of Revenue Account. In the case of holders of preference shares entitled to annual non-cumulative dividends, the inaccurate assessment of annual profits arising out of this want of systematic policy often inflicts serious injury which can never be remedied.

Methods in Use: Equal Fraction of Original Cost.—I now propose to refer shortly to some of the methods in most general use for ascertaining and providing depreciation, the first being the simple one of charging to Revenue Account an equal fraction each year of the original cost of the particular kind of productive plant, based on its estimated efficient economic life; the cost of repairs and partial renewals being also charged to Revenue Account, as well as the cost of loose tools and utensils, subject to adjustment of stock values at the beginning and end of the year.

Percentage off Reducing Balance Method.—Another common practice for providing depreciation which I will notice, is that of writing a percentage off the reducing annual balance of cost of the productive plant. This is a confusing method, and leads few know whither. Thus, it may be understood by directors that 10 per cent. is written off the plant, but this often means 10 per cent. off the reducing balance of plant. It certainly leads to the belief the minds of many that the cost will be written off in years, although the fact is it will take many years to write it off. If it was desired to write off the cost of productive plant in ten years by means of a percentage off the reducing balance, the percentage to be employed would be exceedingly heavy—at least 33⅓ per cent.; and I think this system of writing a percentage off the reducing balance is in most cases a bad one. Under this method the cost of repairs and partial renewals as incurred each year is of course charged to the Revenue Account of the year, as well as the adjusted cost of loose tools and utensils.

Illustration of this Method.—The following figures will give an illustration of the effect of writing a percentage off the reducing balance:—

—	33⅓ % off Reducing Balance	10 % off Reducing Balance
	£	£
Cost of Productive Plant	6,000	6,000
1st Year	2,000	600
	4,000	5,400
2nd "	1,333	540
	2,667	4,860
3rd "	889	486
	1,778	4,374
4th "	593	437
	1,185	3,937
5th "	395	394
	790	3,543
6th "	263	354
	527	3,189
7th "	176	319
	351	2,870
8th "	117	287
	234	2,583
9th "	78	258
	156	2,325
10th "	52	232
	104	2,093

The 10 per cent. rate off the reducing balance will take many more than ten years to write down the cost to a nominal amount, a balance of no less than £2,093 remaining at the end of the ten years, although the original outlay of £6,000 has wholly expired. This shows, by the way, the ineffectiveness of making an allowance of 5 per cent. off the reducing annual balance, which is often done by surveyors of taxes in assessing income-tax, as being an adequate sum to represent the diminishing value by reason of wear and tear of plant and machinery to which Section 12 of the Customs and Inland Revenue Act of 1878 relates. While, however, the measurement of depreciation is in such an unsettled state and receives such varying treatment, it cannot be wondered that somewhat grudging recognition is given to it by the income-tax authorities.

Annuity Method.—There are two methods which involve the use of interest: One known as the annuity method, in which revenue is charged with equal annual sums sufficient to provide at the expiration of the estimated life of the productive plant an amount equal to the original

cost thereof, plus interest on the capital for the time being remaining invested therein. An amount equal to that part of these annual sums which represents interest is credited in annually diminishing amounts to the Revenue Account, so that, taking the difference between the constant amount debited for depreciation and the diminishing amount credited to revenue each year as interest, the result is really to throw increasing annual burdens upon the Revenue Account as the productive plant gets nearer to the end of its life—which I think is a bad plan, especially in view of the fact that the cost of repairs and partial renewals incurred in connection with that productive plant may also increase as time goes on.

Illustration of Annuity Method.—The effect of this method will be clearer by taking an imaginary case in which productive plant having an estimated life of ten years has cost £6,000, and is to be written off within that period on the annuity system, charging interest at 3 per cent. upon the diminishing balances. In this case the constant annual sums chargeable to profit and loss for expired outlay would amount to a total during the ten years of £7,033 6s. 8d., and the diminishing sums which would be credited to profit and loss in respect of interest amount to a total of £1,033 6s. 8d. The figures are shown below:—

—	Expired Outlay charged to Profit and Loss	Interest credited to Profit and Loss	Actual Burden on the Year
	£ s d	£ s d	£ s d
1st Year	703 6 8	180 0 0	523 6 8
2nd "	703 6 8	164 3 4	539 3 4
3rd "	703 6 8	148 6 8	555 0 0
4th "	703 6 8	131 13 4	571 13 4
5th "	703 6 8	114 11 8	588 15 0
6th "	703 6 8	96 13 4	606 13 4
7th "	703 6 8	78 6 8	625 0 0
8th "	703 6 8	59 3 4	644 3 4
9th "	703 6 8	40 0 0	663 6 8
10th "	703 6 8	20 8 4	682 18 4
Total	£7,033 6 8	£1,033 6 8	£6,000 0 0

Should Depreciation Provision be increased by Interest on Capital invested in Productive Plant?—It will be noticed that by this method the actual burden upon revenue for the first year of the ten is £523 6s. 8d., and that it increases until for the last year of the ten it is £682 18s. 4d. The question in my mind is, why should interest on the capital invested in this productive plant, which is invested in the ordinary way of carrying on the business of the undertaking, be added to the provision for depreciation? I think the method complicates and obscures the actual facts, and is by no means to be commended. The locking up of the capital for a time in productive plant is one of the incidents of the undertaking, and is one of the purposes for which the capital is provided, and the whole profit resulting from the various incidents of the business is the reward of the capital invested therein; and it appears that between the two methods, interest or no interest, for this particular purpose, the latter has much to commend it. If interest is to be calculated on portions of capital locked up from time to time in the course of carrying on the business, it would follow that it should be computed on an overdue debt, for instance, the amount so computed being debited to the Profit and Loss Account as a loss on sales, while on the credit side of the Profit and Loss Account would appear the fictitious interest so charged upon the overdue debt. Indeed, to carry the matter to its logical conclusion, and having regard to the fact that the amount of capital locked up in productive plant averages itself as closely as capital locked up in debts, interest should be computed on all debts outstanding, whether due or not, less perhaps the amounts payable to creditors, Profit and Loss Account being credited with this interest and at the same time debited with a similar sum under the head of Loss on Sales. I fully appreciate the great importance of interest on capital as a factor in ascertaining cost of production, but I do not think it should as a rule be added to the provision for depreciation, as is involved by the annuity method.

Sinking Fund Method.—The only other method of providing for depreciation which need be noticed is that known as the Sinking Fund method; and to make the effect of this clearer we will assume again a purchase of productive plant which cost £6,000 and has a life of ten years in a case where the Sinking Fund method is to be applied, involving yearly instalments being taken out of the business and invested in outside securities yielding, say, 3 per cent. Here the equal annual sums charged to the Profit and Loss Account amount to £523 6s. 8d. or a total for the ten years of £5,233 6s. 8d., and the total interest earned on the investments in securities outside the business amounts to £766 13s. 4d., being altogether £6,000.

Illustration of Sinking Fund Method.—The figures are as follows:—

—	Expired Outlay charged to Profit and Loss	Interest from Investments	Actual Burden on the Year
	£ s d	£ s d	£ s d
1st Year	523 6 8	—	523 6 8
2nd "	523 6 8	15 16 8	539 3 4
3rd "	523 6 8	31 13 4	555 0 0
4th "	523 6 8	48 6 8	571 13 4
5th "	523 6 8	65 8 4	588 15 0
6th "	523 6 8	83 6 8	606 13 4
7th "	523 6 8	101 13 4	625 0 0
8th "	523 6 8	120 16 8	644 3 4
9th "	523 6 8	140 0 0	663 6 8
10th "	523 6 8	159 11 8	682 18 4
Total	£5,233 6 8	£766 13 4	£6,000 0 0

Subtilty of Sinking Fund Method.—By this method £766 13s. 4d.—the total of the annually increasing interest from the investment of the money gradually released from

the original cost of the productive plant—is diverted from the credit of the Revenue Account, where it ought to appear, and is applied direct to the purpose of helping to accumulate by the end of the economic life of the productive plant the sum of £6,000 (original cost), Revenue Account having in the meantime been charged with a less sum by £766 13s. 4d. than the actual provision which has been made by the aid of this method; so that the true effect is an omission from both sides of the Revenue Account, under the heads of Depreciation on the one side and of Interest on the other side, of annually increasing sums amounting during the ten years to £766 13s. 4d.

Comparison of Actual Results of Annuity and Sinking Fund Methods.—If we introduce a record of these so omitted annually increasing sums to both sides of the Revenue Account we shall find that the Sinking Fund method has exactly the same effect as the Annuity method, for in both cases the actual burden upon revenue for the first year of the ten is £523 6s. 8d., and that it increases until for the last year of the ten it is £682 18s. 4d. It must be remembered that in the Sinking Fund method the interest from investments is really received, whereas in the Annuity method it is a mere fictitious entry, and therefore, in order to get back to facts, must be cancelled by deducting it each year from the amount charged as depreciation on the debit side of the Revenue Account.

Comparison of Apparent Results of Annuity and Sinking Fund Methods.—If we ignore the actual results and compare the total sum of £7,033 6s. 8d. charged as depreciation during the ten years to the Revenue Account under the Annuity method with the total sum of £5,233 6s. 8d. charged in like manner during the same period under the Sinking Fund method, we shall find that the difference of £1,800 represents a sum equal to 3 per cent. for the whole period of ten years on the £6,000 originally paid for the productive plant; for the first-named method operates to add £1,033 6s. 8d. to the true amount of depreciation or expired outlay, and the last-named method operates to deduct £766 13s. 4d. from the true amount of this. In condemning both these methods as being unsuitable for common use in measuring expired outlay on productive plant, I may mention that the employment of the Sinking Fund method in suitable cases—as, for instance, to arrive at the annual value of certain undertakings for rating purposes, when interest on tenants' capital is allowed to be charged in addition to the depreciation allowance—is, of course, quite necessary and proper, as also is the use of the Annuity method in dealing with the cost of leasehold premises when, as usually happens, it is desirable to charge the Revenue Account with the full annual value of premises occupied for trade, this being the common condition or basis of comparison.

Methods involving Interest or Discount are equally unsuitable.—In selecting the basis of a proper annual charge to revenue for depreciation, the main consideration is that the existence of productive plant, with a strong tendency to fall in present value in direct relation to that proportion of its limited economic life which has expired, constitutes a continuous offer or opportunity of advantage which must be paid for, because it expires whether it is used or not, and in practice the advantage obtained by the undertaking from the existence of its productive plant is spread with approximate evenness over the whole period of the economic life of the plant. The fact that annual instalments of the original cost are taken back out of each year's gross revenue does not diminish the extent of the productive plant offered for the use of the undertaking. In all probability the instalments taken out of revenue each year are re-invested in renewing productive plant; but whether this is so or not, considerations of interest involved in the Annuity method, or of discount involved in the Sinking Fund method, should not be allowed to increase or decrease the annual amount taken back out of revenue in consideration of continuous offer of service on the part of that which has a limited and, in a very marked degree, regularly expiring economic life.

Importance of Classified Record of Capital Outlay on Productive Plant.—It will appear from what has been said above that I believe the best method of measuring expired outlay on productive plant is to base this upon the estimated efficient economic life of each class of such productive plant; and in order to enable this to be done, the first requirement is to secure the systematic record under suitable heads of all outlay on productive plant, showing the year of purchase and the original cost. This is too often neglected, outlay on productive plant of a varying nature and varying length of life being all recorded and mixed up together in the books of many undertakings.

Factors in Estimating Economic Life.—The factors to be taken into account in estimating the efficient economic life of each class of productive plant—and in a large concern such classes may extend to hundreds—are use, time, and the likelihood of supersession by improved inventions and appliances of a similar nature. Careful regard must be had to the question of residual value, which would occasionally be very considerable, as, for instance, in the case of telegraph cables. The most important factor is time, because, whether productive plant be used much or little, it is apt to decrease in value year by year, and sometimes this decrease is even more marked when it is not used or is only partially used than when it is fully employed. The question of probable supersession owing to improvements, sometimes called obsolescence, is much more difficult to determine and applies more to some

industries, especially new industries, than others—thus, in the case of electrical undertakings and motor industries it would be a most serious item, and should be substantially provided for in estimating the length of life of productive plant engaged in these and the like industries; whereas in other undertakings, as, for instance, waterworks, there seems no great danger to be apprehended from this cause.

Suggested Statutory Register of Plant.—Having regard to the enormous interests and responsibilities involved, I suggest that every joint-stock or municipal trading undertaking should be required by statute to keep a Register of Plant, in which the year of purchase and cost of each of the various classes of productive plant in which capital is invested should be recorded under proper heads. There would be no difficulty in this from the clerical point of view, even if there are hundreds of different classes of productive plant owned by one undertaking. It simply requires the provision of proper equipment.

Check upon Doubtful Methods.—Such a register would be a most valuable check upon doubtful financial methods where doubtful methods exist. Each undertaking—for I propose that this should apply only to companies registered under the Joint Stock Companies Acts, and to municipal trading concerns—might be called upon to show that it had provided in its Revenue Account each year a sum for renewals amounting to not less than that necessary, according to the declared length of life appearing in this Statutory Register of Plant, in addition to charging revenue with all repairs and partial renewals which would be settled by standard schedules.

Responsibility for Declaration of Economic Life Period.—A company or municipality might declare the economic life of each of its various classes of plant as being any period it pleased, from two years to one hundred years; but if a motor omnibus company, for instance, declared the life of the chassis of its motor omnibuses to be one hundred years, and so had to provide out of revenue only 1 per cent. of the original outlay on these, it would of course stand self-condemned, and certainly no engineer or other official of the company responsible for declaring the efficient economic life period would be found to certify such a statement. If some such system came into use a kind of standard for each sort of undertaking would speedily be established, and we should get rid of the extraordinary state of affairs which at present allows profits to be computed and dealt with without making any provision whatever for depreciation or expired outlay on productive plant.

Contents of Register of Plant.—It would be compulsory to record in the Statutory Register of Plant, under suitably classified heads, the date of purchase and original cost of all that productive plant the natural or customary units of which (or group of minor units where the annual value of the class is not ascertained by stocktaking) cost more than a certain sum to be fixed by statute, and the efficient economic life of which is declared to be more than a certain period, also to be fixed by statute. These units of productive plant would, if movable, bear an identification number, or if fixed they would be so described in the Statutory Register of Plant that identification would always be easy, and it would be possible at any time to say how much of the original outlay thereon had then expired as measured by the declared length of life. What are natural or customary units of productive plant I propose to discuss later on in this paper.

Register of Plant open to Inspection of Shareholders and Ratepayers.—I would have this Register of Plant open to the inspection of *bonâ fide* shareholders holding shares of the nominal value of £100 and upwards, whose names had been on the register of shareholders for three months and upwards, and in the case of municipal trading concerns I would have it open to any ratepayer. Companies and municipal bodies might, of course, if they wished, extend the principle of the Register of Plant to the keeping of the records of productive plant of a denomination below the statutory value and length of economic life; but this would be optional. Any of the various methods of providing for depreciation might still be employed by companies and municipal bodies, but it would lie upon them to show the reasonable sufficiency of their provision as measured by their own declared standard.

Convenient Form for Register of Plant.—A convenient form for a Register of Plant is a loose-leaf book of suitable size having pages allotted to each class of productive plant, each page ruled with twelve separate cash columns, one for each year, each page being headed with a description of the productive plant, and the declared length of life in years, and having a space for the signatures of the officials responsible for declaring that length of life. In making up the financial accounts at the end of each year, the original or renewal outlay during the year on each class of productive plant as shown by the ordinary financial Ledgers is transferred in total to the appropriate page and column for the particular year in the Register of Plant. A half-year's depreciation is then deducted therefrom, which, added to the one year's depreciation deducted from each of the still unexpired amounts appearing in the previous columns, enables the total provision for depreciation on that particular class of plant for the year to be ascertained and transferred to a summary sheet. The totals of (*a*) Capital Outlay, (*b*) Depreciation, and (*c*) Balance, increasing or decreasing the unexpired capital outlay for each class of productive plant, will be ultimately abstracted from each of the current class summary sheets to a general summary for the year, the Depreciation column of this general summary showing the amount

necessary to be charged to Revenue Account for the year before any profit can result. Many years' history of hundreds of different classes of productive plant can be recorded in a register of this kind without any confusion; and if, during the life of any class of productive plant, it is found in the light of subsequently acquired knowledge the original estimate was either over or under the mark, this can be adjusted, and effect given to it so as to provide for the then unexpired balance appearing in the register being written off over any altered remaining period. Thus an effective review or survey of the financial position of an undertaking keeping a systematic record of this kind could be carried out periodically with considerable precision, and effect given to any altered conditions of some of the classes of productive plant by suitably modifying the economic life period in the Register of Plant to meet the new circumstances, and, further, there would be a permanent record of this always available. Specimen sheets of the Register of Plant and entries therein will be found in the appendix.

Loose Tools and Utensils.—Productive plant, which I have defined as comprising all perishable material property owned by an undertaking, other than that primarily intended for resale, includes loose tools and utensils, and precisely what these are should be defined by schedule to be settled according to the circumstances of each case. The existing value at any time of these loose tools and utensils can best be ascertained by an annual count and inventory on the same lines as the annual stocktaking of goods which are intended for resale. All outlay both for renewal and repair of loose tools and utensils should therefore be charged to the Revenue Account of the year in which it is incurred, subject to adjustment of stock values at the beginning and end of the year. This should be shown as a separate item or items in the Revenue Account.

Other Productive Plant.—All productive plant, save that which is dealt with as loose tools and utensils, should be classified and recorded in the Register of Plant, showing the year of purchase and the original cost. The characteristic common to this productive plant is that the original cost will be found to be a payment made in order to secure future advantages in revenue earning, and therefore, to the extent that it is a payment in advance, is not properly chargeable to the Revenue Account of the year in which it is incurred. For this reason it demands careful record and suitable subsequent treatment.

Depreciation, not Cost, is chargeable to Revenue Account.—The original cost of all productive plant whenever purchased should always be kept out of Revenue Account, which will, however, in lieu thereof, be inexorably charged each year with a sum to cover the part expiring within the year of all such advance payments. This charge should be shown separately in the books of the undertaking, and in the Revenue Account presented for the consideration of the directors. Personally, I think it should be shown separately on the published accounts, but this is a matter to be settled according to the circumstances of each particular case.

Repairs and Partial Renewals are chargeable to Revenue Account.—Besides the annual charges to Revenue Account represented by the adjusted expense of loose tools and utensils, and the expired outlay on other productive plant, as measured, there will be the cost of repairs and partial renewals of this other productive plant to be charged to Revenue Account, and this should also be shown separately, for the information of the directors, and I think it should be shown in the published accounts.

Schedules of Renewals and Partial Renewals.—That most difficult question—which is common, however, to all methods of accounting—as to what are renewals, the cost of which must not be charged to the year's Revenue Account, and what, on the other hand, are partial renewals, the cost of which will come out of the revenue of the year in which it is incurred, depends upon the particular class of undertaking, and can best be settled by means of standard schedules prepared after careful consideration with the co-operation of the engineers' and accountants' departments.

Natural or Customary Unit of Productive Plant.—What is a unit of productive plant—or, as I have called it, a natural or customary unit—must be determined in each case by the nature of the particular undertaking; thus, the original cost of construction of a railway station would be one unit, but railway stations would be divided into different classes according to the nature of their construction and consequent probable economic life. A steamship would seem to be a natural unit, but the efficient economic life of the engines, boilers, and hull may all differ, so that for the purpose of record in the Register of Plant this property would, probably by custom, be divided under not less than three heads or classes; similarly with the motor omnibus, if the chassis has a shorter economic life than the coach body it would be an easy matter to record the cost under two heads instead of one.

Renewal or Reconstruction of Railway Stations.—Supposing the cost of a railway station, which was recorded with others of the group having an estimated economic life of fifty years, to have been originally £5,000, and that at the end of thirty years the station is partially pulled down and a new one built, the new expenditure being double the cost of the original station, or £10,000, it would be possible to say definitely that £3,000 had been taken out of revenue during the thirty years for expired outlay on the original station, the life of which had been estimated at fifty years, and it might then be determined either to write

off the remaining £2,000 in whole or in part over the next few years, or to add it to the £10,000 new expenditure, and immediately thereafter Revenue Account would begin to contribute annually to the reduction of the new total of £12,000. Again, if a railway company decided to reconstruct and greatly enlarge a terminal station, and the total reconstruction and enlargment cost a million pounds, it might be determined that, taking all known facts and probabilities into consideration, the efficient economic life of the station should be fixed at one hundred years, and this would involve, in addition to dealing with any balance of cost of the original station, the charging to Revenue Account of an annual sum of £10,000; or if it was determined that the efficient economic life should be declared at fifty years, then £20,000 per annum would be charged to Revenue Account, and would become part of the operative expense under the head of Depreciation, the operative expense also including the cost of all structural and other repairs which would be charged under the head of Repairs and partial renewals in the years they were incurred, except in the case of extensive repairs like repainting of the ironwork, which might, if desired, be recorded in the Register of Plant and spread over the ten or twelve years or other period during which the benefit was expected to extend.

Depreciation Charge is not Annual Value, but a Charge against Inevitable Decay.—The charging of £10,000 or £20,000 per annum to revenue is, of course, not intended to represent the annual value of the station, but stands only for the inevitable decay of the structure, which forms part of the operative expenses of the undertaking, whether it be so recorded or not. The habit of considering new ventures in the light of the probable length of the economic life of the productive plant represented by the capital outlay is a good one, as it often shows that the future prospects are by no means so sound as they otherwise may appear to be; and if it should be found, in looking at the matter in this way, that Revenue Account cannot take the necessary annual burden, the inevitable conclusion is that the undertaking is not really on profit-earning lines.

Present Practice of Railway Companies.—The practice largely adopted by railway companies of charging the cost of renewals to the Revenue Account of the year when the outlay is incurred depends for its efficiency upon the strictness with which it is carried out, and an examination of the accounts of English railway companies in recent years shows that very large sums have been charged to revenue in respect of renewals, so that substantial provision has been made, although, I venture to think, by a wrong method. Again, under this method it is always possible for a sanguine temperament, especially in years when the Revenue Account shows a lean result, to regard too large a proportion of outlay on productive plant as in the nature of extensions and improvements, and so as being properly chargeable to capital; and directors are of necessity largely dependent upon the advice of officials in these matters, having no independent gauge or measure to enable them to form an opinion as to whether a well-settled and sound policy is being pursued with the same strictness whether the results of the year be good or bad. The statutory form of railway accounts makes no distinction between the cost of actual renewals of productive plant and the cost of repairs and partial renewals, both being grouped together under such heads as "Maintenance and Renewal" or "Repairs and Renewals," and it is impossible to judge whether sufficient provision is made or to compare the amount of depreciation with the amount remaining invested in productive plant.

Offsets to increase in Cost of Repairs in later years.—It may be objected that the charging to Revenue Account of an equal instalment of the original cost of plant each year, as well as of the cost of repairs and partial renewals as paid, will unduly burden the Revenue Accounts of the later years of the productive life of the plant; but it should not be overlooked that against this there is to be set the fact that money originally locked up in the puchase of this productive plant is being gradually released and will find profitable employment either in the undertaking or by investment in outside securities, and the income resulting will come to the Revenue Account. Again, in a large undertaking the annual expenditure on repairs and partial renewals averages itself in a remarkable way. I am not sure, however, that it would not be an advantage that the burden of extensive repairs, which may be necessary when a particular class of plant is becoming decrepit or obsolete, should tend to fall heavily on revenue at that time, thus forcibly calling attention to the need of replacing this by modern and up-to-date plant.

Employment of Money set aside.—In the case of some undertakings it will be urged that to constantly set aside sums out of the gross revenue each year to meet expenditure on renewals which will not have to be met for perhaps a number of years, would be most inconvenient and would embarrass the undertaking with surplus money, which could not be properly employed, and which shareholders would be clamouring for as dividend. This would not happen in the case of most large undertakings, because considerable sums of money are required every few years for actual renewals of the different classes of plant; or, again, in the case of an increasing undertaking requiring additional plant, the money so detached from revenue would be very usefully employed in the purchase of this additional plant, but otherwise it would be necessary to invest the surplus moneys in safe securities and to be content with the interest earned thereon.

Electric Tramway Undertaking.—I have prepared particulars of the outlay on productive plant of an electric tramway undertaking covering a period of twelve years, and these transactions, as worked out in detail in the Register of Plant, are summarised below:—

—	Capital Outlay	Annual Depreciation Provision	Year's Increase in Balance of Unexpired Capital Outlay	Year's Decrease in Balance of Unexpired Capital Outlay
	£ s d	£ s d	£ s d	£ s d
1895	88,000 0 0	3,097 1 11	84,902 18 1	
1896	34,500 0 0	7,705 10 8	26,794 9 4	
1897	19,500 0 0	9,891 13 10	9,608 6 2	
			121,305 13 7	
1898	8,500 0 0	10,928 4 1	..	2,428 4 1
1899	7,375 0 0	11,564 4 5	..	4,189 4 5
1900	1,850 0 0	11,913 18 2	..	10,063 18 2
1901	7,350 0 0	12,297 8 3	..	4,947 8 3
1902	3,450 0 0	12,743 9 3	..	9,293 9 3
1903	2,690 0 0	10,930 17 7	..	8,240 17 7
1904	7,650 0 0	9,732 3 9	..	2,082 3 9
				41,245 5 6
1905	29,500 0 0	10,918 8 11	18,581 11 1	
1906	14,040 6 0	12,682 5 2	1,358 0 10	
	£224,405 6 0	£124,405 6 0		
	Balance of Unexpired Capital Outlay		..	100,000 0 0
			£141,245 5 6	£141,245 5 6

This shows that the undertaking was started in the year 1895, by the end of which year the outlay on productive plant amounts to £88,000, and the depreciation provision amounts to £3,097, being one-half of a full year's allowance. For the next two years there was a further outlay on productive plant, and at the end of the year 1897 the balance of unexpired outlay on productive plant amounted to £121,305 13s. 7d. For the next seven years, to the end of 1904, the yearly outlay on renewals of productive plant amounts to considerably less than the depreciation provision; so that upwards of £40,000 of the original outlay, for which a capital of about £120,000 was required, becomes gradually liquidated, and would have accumulated in hand in the form of cash or securities. In the year 1905, however, £29,500 was spent on renewals, consisting principally of £21,000 for renewal of track, and in the year 1906 £14,040 6s. was spent, consisting again principally of £13,000 for renewal of track; so that by the end of 1906 the balance of unexpired capital outlay on productive plant had increased from about £80,000, at which it would have stood at the end of 1904, to £100,000. It will be noticed, on examining the Depreciation column above, that the annual depreciation for the years 1903, 1904, and 1905 has fallen somewhat, and this is caused by the fact that the track work, the life of which was estimated as being only 7.7 years, turned out to have a life of ten years, for it was not until the year 1905 that I have supposed it had to be renewed. In practice this might have been easily adjusted as soon as it was seen by the engineers that the track was likely to be efficient for more than 7.7 years. The rates of depreciation I have used are taken from "Electric Railways and Tramways," published by Mr. Philip Dawson, in which he gives, as the results of extended study of street railway conditions in America, the following table of allowances for depreciation:—

	Per cent.
Boilers	8 — 10
Turbines	7 — 9
Transformers	5 — 6
Cars	4 — 6
Track Work	7 — 13
Buildings	1 — 2
Overhead System	3 — 8

I have taken the heaviest figure of depreciation in each case.

Municipal Trading and Depreciation.—Some reference has been made above to the need of providing depreciation in the case of municipal trading as well as in the case of other trading enterprises, and I propose to examine the results of the tramway undertaking mentioned above, and to consider the difference involved in the method of dealing with the profits if carried on by a limited company and by a municipal authority respectively.

Case of Company.

ELECTRIC TRAMWAY UNDERTAKING.

BALANCE SHEET, December 31st 1906.

	£ s d		£ s d
To Share Capital— 120,000 Shares of £1 each	120,000 0 0	By Way and Equipment— Balance of Unexpired Capital Outlay	100,000 0 0
" Creditors	5,000 0 0	" Land	2,000 0 0
		" Investments ..	20,000 0 0
		" Stores, Tools, Debts, and Cash	3,000 0 0
	£125,000 0 0		£125,000 0 0

REVENUE ACCOUNT for Year 1906.

	£ s d		£ s d
To Depreciation or Expired Outlay on Productive Plant (say)	12,682 0 0	By Credit Balance for the Year after charging Cost of Repairs and Partial Renewals	19,882 0 0
" Balance of Profit ..	7,200 0 0		
	£19,882 0 0		£19,882 0 0

Case of Company.—This will allow of a dividend of 5 per cent. being paid on the share capital, and the sum of £1,200 being either carried forward or placed to the credit of a General Reserve Account, against possible diminution of profits in subsequent years.

Case of Municipality.—If this had been a municipal undertaking and the money had been raised by a municipal loan at 3 per cent., repayable in thirty years, then, in order to provide for the repayment of the loan out

of profits at the end of that time, it would have been necessary to deal with the annual profits as under:—

Sinking Fund Provision for Repayment of Loan, assuming Investment at 3½ per cent. compounded yearly	£2,325
Interest on Loan at 3 per cent.	3,600
Balance of Profit available for the Relief of Rates	1,275
	£7,200

Sinking Fund Controversy.—There is much controversy as to whether the annual sinking fund provision for repayment of loan is payable out of true profits (that is, after providing for depreciation or expired outlay on productive plant) or out of the balance of Revenue Account before providing for depreciation, and under the difficult circumstances, the view of the Local Government Board is believed to be that the repayment period should be fixed well within the economic life of the productive plant; that is to say, should involve the annual setting aside of a sum rather more than sufficient to renew the plant at the end of its economic life, that being apparently, in the present state of the law, the utmost limit to which they can extend their control.

Efforts of Local Government Board.—By this means the Local Government Board are endeavouring to ensure that the annual sinking fund instalments shall at least provide a sum sufficient to repay the loans by the end of the economic life of the productive plant; for under the present state of the law there is no guarantee whatever that municipalities will set aside out of gross revenue a sufficient, or any, sum to meet that part of the operating expense which consists of depreciation or expired outlay, and the Local Government Board have been striving to shorten the loan periods with this object, at the same time having to acquiesce in the view that a setting aside to repay the loan on this basis sufficiently complies with the requirements of the law.

Undesirable Duties for a Government Department.—It seems undesirable that a Government Department should be compelled, or indeed permitted, to take the responsibility of endeavouring to fix the length of the economic life of these numberless different classes of productive plant, upon which so many millions sterling are expended. This responsibility ought to be assumed by means of statutory declarations by qualified engineer officers of the municipality, who with the people's elected representatives will be responsible to the ratepayers; or if there is no qualified engineer employed by a particular municipality, then the declarations should be made by some professional engineer of repute. The Local Government Board would then be in possession of some data upon which to fix the amount of the annual sinking fund instalments if it was desired that these should mature before the end of the economic life of the productive plant, so that they may at least equal the necessary provision for depreciation. The Local Government Board does not sanction all loans connected with municipal trading; tramway loans being sanctioned by the Board of Trade, and loans connected with electric undertakings in London being settled between the Treasury and the London County Council. This lack of central control must often be very inconvenient, and it cannot conduce to uniformity of practice in these important matters.

Danger of Present State of Affairs.—Notwithstanding the efforts of the Local Government Board, it is, I think, admitted that the repayment period of loans is in many cases much longer than the economic life of the productive plant for which the money was borrowed; and in these cases I would urge that municipal authorities should charge their Revenue Account with a sufficient provision for depreciation to pay for ultimate renewals, keeping the record of this in the books quite distinct from sinking fund transactions, the money required annually for which could then always be taken out of the larger sums so retained out of gross revenue to meet the cost of renewal of the plant. The result of such action would be that at the termination of the life of the productive plant a sufficient sum would have been taken out of gross revenue to replace this productive plant, but a portion of this sum would have been invested in outside securities to meet the smaller sinking fund requirements against the ultimate payment off of the original loan. It would then probably be necessary, in order to renew the productive plant, to go to the Local Government Board or other authority to obtain leave to use the sum so invested in outside securities, and add it to the balance of the sums set aside for depreciation, which balance would exist in the form of cash in hand or liquid investments. This would mean a new arrangement of the old loan with a readjustment of the period for repayment, but it would not mean the borrowing of any further money, as would have been the case if Revenue Account had only been debited each year with the amount of the sinking fund instalment, and the whole of the remaining balance of the Revenue Account disposed of as net profit, for the loan repayments extend to thirty years, but the productive plant has, in the case assumed—which is the result of extended study by an eminent English engineer—an average life of only about ten years, and at the end of that ten years the sinking fund would have reached a sum of only £27,274, leaving therefore a further amount of £92,726 to be borrowed in order to renew the original plant, and thus loan may be, and I fear often is, unintentionally heaped upon loan.

Low Interest Payable by Municipalities.—We have

then, how the Local Government Board are endeavouring to make the best of a very difficult position; but it seems to me that even if they gradually succeed in attaining nearer to their object of fixing the date of repayment of loans well within the period of the efficient economic life of the plant, we are still far from being on sound and businesslike lines. A municipal trading enterprise should be able, out of its true profits, to provide the low interest at which municipalities are or were able to borrow, as well as the sum necessary to effect repayment of the loan if the period is anything like thirty years, for these two charges together actually amount to less than is required to pay interest at the rate of 5 per cent., which is the lowest interest an ordinary well-managed trading concern would have to pay; and so at the end of thirty years, by applying actually the same sum of annual profits, the municipal undertaking finds itself free of debt, and therefore with no further annual payments to make either for sinking fund or interest, while the other concern still owes £120,000 to debenture-holders or shareholders, and has to go on paying the full annual interest at the rate of 5 per cent.

Should enable Sinking Fund Contributions to be set aside out of True Profits.—There seems nothing unreasonable in supposing that the intention of the Legislature was that, in the case of municipal trading concerns, the sinking fund contributions should be set aside out of profits; and in such a case there would be at the end of the thirty years—supposing the undertaking mentioned above had been maintained and was of exactly the same extent at that time—a sum of £120,000 accumulated in outside securities (out of annual interest saved through exceptionally favourable borrowing facilities) available to pay off the whole of the loan, and in addition, of course, there would be the still existing tramway and equipment remaining, of the value of £120,000. It is, however, this contention that has caused a good deal of indignation among some people, although it merely means that the municipality would be the owners free of debt of a valuable undertaking or property, just as they would be the owners free of debt of a public park had that been the subject-matter of the purchase instead of an electric tramway undertaking. In either case the gradually acquired possession by the municipality of so valuable an asset would be a factor constantly tending to increase the value of property in the district as the period of final repayment approached; so that it is scarcely a question of burdening one generation for the benefit of another.

Proposed Register involves no Liability upon Directors.—I do not suggest that any liability should attach to directors or others in connection with the proposed Statutory Register of Plant, except that a company or municipal body making default in keeping the statutory records would be subject to a sufficient penalty during the continuance of the default.

Present Neglect is becoming a National Danger.—The assessment with substantial accuracy of annual net profit or loss is now a matter of vast public importance, and all the necessary factors to which regard must be had, except this one of provision for depreciation, have received careful attention. The factor of depreciation constitutes a very large part of the operative expense of most industrial undertakings, and the hopeless state of chaos into which it has drifted constitutes a grave public danger, which is even assuming the dimensions of a national danger in these days of municipal enterprises.

More Information should be available.—The proposed Statutory Register of Plant is suggested as being in the nature of a much needed guide and source of information, and not as a cramp or check to freedom of action. It would form a basis for discussion between partners (shareholders or ratepayers, as the case may be), who ought to be able to obtain some definite information as to the policy pursued on this matter. I believe it would tend to relieve directors of much anxious responsibility. At the end of the first year of a new undertaking, for instance, the Register of Plant might show that the depreciation (or expired outlay on productive plant) amounted to £10,000 for the year; but the directors might, perhaps, for good reasons under certain circumstances, determine to provide nothing at all out of the gross revenue of the first year. Shareholders would have access to the Register of Plant, and, assuming the directors' policy was not notoriously unwise, the directors would have the support of the body of shareholders behind them. More information would be available for both directors and shareholders than at present, and that is what I am anxious to secure by means of a Statutory Register of Plant. If it is not compulsory it will be neglected in the very cases where it is most needed.

Register might be Compulsory on New Undertakings only.—Such a Register of Plant, if made obligatory on all new joint-stock and municipal industrial undertakings, would not, I think, be objectionable to the great body of able and honest directors, who might even welcome it as a help to them, and it would certainly be of assistance to those who are now unaware of the importance of this matter. In the case of existing undertakings, the use of a Register of Plant might be left as a voluntary question, as there would be great difficulty in obtaining a basis to start upon, besides many more serious objections which may exist in the case of old undertakings.

Present Methods may be improved.—It will, I think, doubtless be felt by many that my suggestions are impracticable; but I am convinced that this is not so, and

that much may be done to improve present methods, consisting as they often do partly of spasmodic allocations of Revenue Account balances to Reserve Accounts to meet requirements of really unknown extent, and partly of the rough-and-ready apportionment between Capital and Revenue Accounts of large outlays on combined renewals and extensions which must be allotted in some way, partly to revenue, as representing maintenance, and partly to capital expenditure, as being for betterments, involving an anxious responsibility being placed upon the shoulders of officials who have no very definite rules to guide them; whereas if a settled and methodical policy be laid down it will, I think, be found that although the efficient economic life of any class of productive plant is a matter upon which opinions differ widely, yet there is an outside limit in all cases beyond which no one would be found to go, and if even this outside limit were admitted and provided for out of revenue a great improvement over the present condition of affairs would ensue.

Recognition of Necessity for Reforms.—The *Statist* of February 16 1907, in an article reviewing the condition of trade, says: "Lastly, we would remind the reader that "during the past seven or eight years there has been a great "awakening in this country. Manufacturers, railway "directors, even bankers, all recognise the necessity for far-"reaching reforms, the obtaining of assistance from "science, and greater energy and enterprise which unques-"tionably is of happy augury for the future."

APPENDIX.

Register of Productive Plant.

Description of Productive Plant: Track Work. *Section*.....

Length of Efficient Economic Life: 7·7 years (equal to 13 per cent.). *Sheet*.....

Date of Declaration..... *Declared by*..... *Certified by*.....

Depreciation Year	Capital Outlay during the Years ending December 31st and subsequent Annual Depreciation deducted therefrom										
	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
	20,000 0 0											
1895	1,298 14 0											
	18,701 6 0	11,000 0 0										
1896	2,597 8 0	714 5 8										
	16,103 18 0	10,285 14 4	3,000 0 0									
1897	2,597 8 0	1,428 11 5	194 16 1									
	13,506 10 0	8,857 2 11	2,805 3 11	200 0 0								
1898	2,597 8 0	1,428 11 5	389 12 2	12 19 9								
	10,909 2 0	7,428 11 6	2,415 11 9	187 0 3	500 0 0							
1899	2,597 8 0	1,428 11 5	389 12 2	25 19 6	32 9 4							
	8,311 14 0	6,000 0 1	2,025 19 7	161 0 9	467 10 8	350 0 0						
1900	2,597 8 0	1,428 11 5	389 12 2	25 19 6	64 18 8	22 14 6						
	5,714 6 0	4,571 8 8	1,636 7 5	135 1 3	402 12 0	327 5 6	400 0 0					
1901	2,597 8 0	1,428 11 5	389 12 2	25 19 6	64 18 8	45 9 1	25 19 6					
	3,116 18 0	3,142 17 3	1,246 15 3	109 1 9	337 13 4	281 16 5	374 0 6	600 0 0				
1902	2,597 8 0	1,428 11 5	389 12 2	25 19 6	64 18 8	45 9 1	51 18 0	38 19 3				
	519 10 0	1,714 5 10	857 3 1	83 2 3	272 14 8	236 7 4	322 2 6	561 0 9	440 0 0			
1903	519 10 0	1,428 11 5	389 12 2	25 19 6	64 18 8	45 9 1	51 18 0	77 18 6	28 11 5			
	..	285 14 5	467 10 11	57 2 9	207 16 0	190 18 3	270 4 6	483 2 3	411 8 7	900 0 0		
1904	..	285 14 5	389 12 2	25 19 6	64 18 8	45 9 1	51 18 0	77 18 6	57 2 10	58 8 10		
	..	..	77 18 9	31 3 3	142 7 4	145 9 2	218 6 6	405 3 9	354 5 9	841 11 2	21,000 0 0	
1905	..	..	77 18 9	25 19 6	64 18 8	45 9 1	51 18 0	77 18 6	57 2 10	117 17 8	1,363 12 9	
	..	..	..	5 3 9	77 18 8	100 0 1	166 8 6	327 5 3	297 2 11	723 13 6	19,636 7 3	13,000 0 0
1906	..	..	..	5 3 9	64 18 8	45 9 1	51 18 0	77 18 6	57 2 10	117 17 8	2,727 5 6	844 3 1
	..	..	..	..	13 0 0	54 11 0	114 10 6	249 6 9	240 0 1	605 15 10	16,909 1 9	12,155 16 11

Register of Productive Plant.—Summary.

Description of Productive Plant: Track Work.

Length of Efficient Economic Life: 7·7 years (equal to 13 per cent.).

Section..... *Sheet*.....

—	Capital Outlay	Depreciation	Balance of Unexpired Capital Outlay
	£ s d	£ s d	£ s d
1895	20,000 0 0	1,298 14 0	+18,701 6 0
	20,000 0 0	1,298 14 0	18,701 6 0
1896	11,000 0 0	3,311 13 8	+ 7,688 6 4
	31,000 0 0	4,610 7 8	26,389 12 4
1897	3,000 0 0	4,220 15 6	− 1,220 15 6
	34,000 0 0	8,831 3 2	25,168 16 10
1898	200 0 0	4,428 11 4	− 4,228 11 4
	34,200 0 0	13,259 14 6	20,940 5 6
1899	500 0 0	4,474 0 5	− 3,974 0 5
	34,700 0 0	17,733 14 11	16,966 5 1
1900	350 0 0	4,529 4 3	− 4,179 4 3
	35,050 0 0	22,262 19 2	12,787 0 10
1901	400 0 0	4,577 18 4	− 4,177 18 4
	35,450 0 0	26,840 17 6	8,609 2 6
1902	600 0 0	4,642 16 1	− 4,042 16 1
	36,050 0 0	31,483 13 7	4,566 6 5
1903	440 0 0	2,632 8 9	− 2,192 8 9
	36,490 0 0	34,116 2 4	2,373 17 8
1904	900 0 0	1,057 2 0	− 157 2 0
	37,390 0 0	35,173 4 4	2,216 15 8
1905	21,000 0 0	1,882 15 9	+19,117 4 3
	58,390 0 0	37,056 0 1	21,333 19 11
1906	13,000 0 0	3,991 17 1	+ 9,008 2 11
	71,390 0 0	41,047 17 2	30,342 2 10

Annual Summaries.

Section..... *Sheet*.....

—	Capital Outlay	Depreciation	+ or − Balance of Unexpired Capital Outlay
	£ s d	£ s d	£ s d
1895			
Boilers	5,000 0 0	250 0 0	+ 4,750 0 0
Turbines	3,000 0 0	135 2 8	+ 2,864 17 4
Transformers ..	2,000 0 0	60 4 10	+ 1,939 15 2
Cars	25,000 0 0	753 0 5	+24,246 19 7
Track Work ..	20,000 0 0	1,298 14 0	+18,701 6 0
Buildings	24,000 0 0	240 0 0	+23,760 0 0
Overhead System..	9,000 0 0	360 0 0	+ 8,640 0 0
	88,000 0 0	3,097 1 11	+84,902 18 1
1896			
Boilers	2,500 0 0	625 0 0	+ 1,875 0 0
Turbines	..	270 5 5	− 270 5 5
Transformers ..	1,000 0 0	150 12 1	+ 849 7 11
Cars	16,000 0 0	1,987 19 6	+14,012 0 6
Track Work ..	11,000 0 0	3,311 13 8	+ 7,688 6 4
Buildings	..	480 0 0	− 480 0 0
Overhead System..	4,000 0 0	880 0 0	+ 3,120 0 0
	34,500 0 0	7,705 10 8	+26,794 9 4

Annual Summaries (*continued*).

Section..... *Sheet*.....

—	Capital Outlay	Depreciation	+ or − Balance of Unexpired Capital Outlay
	£ s d	£ s d	£ s d
1897			
Boilers	250 0 0	762 10 0	− 512 10 0
Turbines	1,250 0 0	326 11 6	+ 923 8 6
Transformers ..	..	180 14 6	− 180 14 6
Cars	10,000 0 0	2,771 2 4	+ 7,228 17 8
Track Work ..	3,000 0 0	4,220 15 6	− 1,220 15 6
Buildings	3,000 0 0	510 0 0	+ 2,490 0 0
Overhead System..	2,000 0 0	1,120 0 0	+ 880 0 0
	19,500 0 0	9,891 13 10	+ 9,608 6 2
1898			
Boilers	1,250 0 0	837 10 0	+ 412 10 0
Turbines	4,750 0 0	596 16 11	+ 4,153 3 1
Transformers ..	2,000 0 0	240 19 4	+ 1,759 0 8
Cars	..	3 072 6 6	− 3,072 6 6
Track Work ..	200 0 0	4,428 11 4	− 4,228 11 4
Buildings	..	540 0 0	− 540 0 0
Overhead System..	300 0 0	1,212 0 0	− 912 0 0
	8,500 0 0	10,928 4 1	− 2,428 4 1
1899			
Boilers	1,625 0 0	981 5 0	+ 643 15 0
Turbines	..	810 16 3	− 810 16 3
Transformers ..	..	301 4 2	− 301 4 2
Cars	5,000 0 0	3,222 18 7	+ 1,777 1 5
Track Work ..	500 0 0	4,474 0 5	− 3,974 0 5
Buildings	..	540 0 0	− 540 0 0
Overhead System..	250 0 0	1,234 0 0	− 984 0 0
	7,375 0 0	11,564 4 5	− 4,189 4 5
1900			
Boilers	..	1,062 10 0	− 1,062 10 0
Turbines	500 0 0	833 6 8	− 333 6 8
Transformers ..	..	301 4 2	− 301 4 2
Cars	1,000 0 0	3,403 13 1	− 2,403 13 1
Track Work ..	350 0 0	4,529 4 3	− 4,179 4 3
Buildings	..	540 0 0	− 540 0 0
Overhead System..	..	1,244 0 0	− 1,244 0 0
	1,850 0 0	11,913 18 2	−10,063 18 2
1901			
Boilers	500 0 0	1,087 10 0	− 587 10 0
Turbines	3,750 0 0	1,024 15 5	+ 2,725 4 7
Transformers ..	..	301 4 2	− 301 4 2
Cars	2,000 0 0	3,494 0 4	− 1,494 0 4
Track Work ..	400 0 0	4,577 18 4	− 4,177 18 4
Buildings	..	540 0 0	− 540 0 0
Overhead System..	700 0 0	1,272 0 0	− 572 0 0
	7,350 0 0	12,297 8 3	− 4,947 8 3
1902			
Boilers	1,500 0 0	1,187 10 0	+ 312 10 0
Turbines	..	1,193 13 10	− 1,193 13 10
Transformers ..	..	301 4 2	− 301 4 2
Cars	..	3,554 5 2	− 3,554 5 2
Track Work ..	600 0 0	4,642 16 1	− 4,042 16 1
Buildings	1,000 0 0	550 0 0	+ 450 0 0
Overhead System..	350 0 0	1,314 0 0	− 964 0 0
	3,450 0 0	12,743 9 3	− 9,293 9 3
1903			
Boilers	500 0 0	1,287 10 0	− 787 10 0
Turbines	750 0 0	1,227 9 6	− 477 9 6
Transformers ..	..	301 4 2	− 301 4 2
Cars	..	3,554 5 2	− 3,554 5 2
Track Work ..	440 0 0	2,632 8 9	− 2,192 8 9
Buildings	..	560 0 0	− 560 0 0
Overhead System..	1,000 0 0	1,368 0 0	− 368 0 0
	2,690 0 0	10,930 17 7	− 8,240 17 7

ANNUAL SUMMARIES (*continued*).

Section..... *Sheet*.....

—	Capital Outlay	Depreciation	+ or − Balance of Unexpired Capital Outlay
	£ s d	£ s d	£ s d
1904			
Boilers	3,750 0 0	1,500 0 0	+ 2,250 0 0
Turbines	..	1,261 5 2	− 1,261 5 2
Transformers ..	..	301 4 2	− 301 4 2
Cars	3,000 0 0	3,644 12 5	− 644 12 5
Track Work ..	900 0 0	1,057 2 0	− 157 2 0
Buildings	..	560 0 0	− 560 0 0
Overhead System..	..	1,408 0 0	− 1,408 0 0
	7,650 0 0	9,732 3 9	− 2,082 3 9
1905			
Boilers	1,750 0 0	1,520 0 0	+ 230 0 0
Turbines	5,000 0 0	1,486 9 4	+ 3,513 10 8
Transformers ..	..	301 4 2	− 301 4 2
Cars	..	3,734 19 8	− 3,734 19 8
Track Work ..	21,000 0 0	1,882 15 9	+19,117 4 3
Buildings	1,500 0 0	575 0 0	+ 925 0 0
Overhead System..	250 0 0	1,418 0 0	− 1,168 0 0
	29,500 0 0	10,918 8 11	+18,581 11 1
1906			
Boilers	250 0 0	1,250 0 0	− 1,000 0 0
Turbines	..	1,378 7 1	− 1,378 7 1
Transformers ..	..	301 4 2	− 301 4 2
Cars	..	3,734 19 8	− 3,734 19 8
Track Work ..	13,000 0 0	3,991 17 1	+ 9,008 2 11
Buildings	790 6 0	597 17 2	+ 192 8 10
Overhead System..	..	1,428 0 0	− 1,428 0 0
	14,040 6 0	12,682 5 2	+ 1,358 0 10

Meetings for the ensuing Week.

Tuesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—General Purposes Committee, at 3 p.m.

KINGSTON-UPON-HULL CHARTERED ACCOUNTANTS STUDENTS' SOCIETY.—Reading Prize Essay, at the Hall of the Incorporated Law Society, Bowlalley Lane; 7.45 p.m.

Wednesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Investigation Committee, at 3 p.m.

Thursday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Library and Publications Committee; 3 p.m.

Bristol Society of Chartered Accountants.

THE fourth annual meeting of this Society was held in the Library, Albion Chambers, Bristol, on the 12th inst., Mr. F. A. Jenkins, the President, being in the chair.

The report of the Council, which was taken as read, was as follows:—

The Council present herewith the Income and Expenditure Account for the year ended 31st December 1906, and Balance Sheet made up on that date, which have been audited by Mr. Henry Anstey.

The Society has suffered a heavy loss during the past year by the death of Mr. John Hudson Smith, who took an active part in its formation, and occupied the post of President for the first two years of its existence. The Council have placed on record in their minutes their sense of the loss our city has sustained by his death, and the great esteem in which he was held by the profession.

Some inconvenience having been experienced owing to the situation of the Library, a larger room has been secured on the first floor in the same building in Albion Chambers, and the annual meeting will be held therein. It is hoped that this change will make the Library much more valuable to members generally. A new catalogue has been prepared.

The special classes for articled clerks have again been successful, the reports of Mr. A. E. Ashmead and Mr. G. H. Boucher, the Lecturers in Accountancy and Law respectively, being very favourable. With a view to further increasing interest in these classes, the Council are offering annually a prize to the value of a guinea for the student in each course who, in the opinion of the lecturers, has made most progress during the year. Both these prizes were gained last year by Mr. S. W. Cornwell, articled with Messrs. Hudson Smith, Briggs & Co.

The annual lecture was delivered on the 7th December by Mr. Walter Strachan, Barrister-at-Law, his subject being—"Some difficulties in Trust Accounts with special "reference to adjustments between Life Owner and "Remainderman, where property is realisable." Mr. John B. Ball, F.C.A., Vice-President of the Institute, took the chair, and there was a fair attendance of members, including many of the students. Mr. Strachan read a most interesting paper, and the Society is much indebted to him for its preparation. At the dinner which followed the lecture, the Society was favoured with the presence, in addition to Mr. J. B. Ball and Mr. Walter Strachan, of the Hon. George Colville (Secretary to the Institute), with Messrs. Louis C. Danger (President of the Bristol Incorporated Law Society), H. L. Riseley, G. H. Boucher, A. E. Ashmead, F. H. Thorpe and Arthur Taylor (London).

In accordance with the rules the officers and auditor retire, and the retiring members of the Council are Messrs. S. Pim Jackson and Clare Smith. These are all eligible for re-election.

By order of the Council,

CLARE SMITH, *Chairman.*

W. VAUGHAN JENKINS, *Hon. Secretary.*

INCOME AND EXPENDITURE ACCOUNT for the year ended 31st December 1906.

Dr.	£ s d	£ s d
To Expenses of Library, viz.:—		
Rent	30 0 0	
Stationery, Printing, and Sundries	4 16 8	
		34 16 8
" Prizes to Members of the Students' Society ..		2 2 0
" General Expenses		0 2 6
" Depreciation:—		
Books, 15 per cent. on £231 9s. 9d.	34 14 4	
Furniture and Fittings, 5 per cent. on £32 17s. 3d.	1 12 10	
		36 7 2
		£73 8 4

Cr.	£ s d	£ s d
By Subscriptions:—		
40 Members in practice at £1 1s. 0d.	42 0 0	
2 " not in practice at 10s. 6d. ..	1 1 0	
		43 1 0
" Bristol Chartered Accountants Students' Society for use of room		5 0 0
" Institute of Chartered Accountants in England and Wales, Contribution for 1906		22 3 6
" Capital Account, balance transferred		3 3 10
		£73 8 4

BALANCE SHEET, 31st December 1906.

Dr.	£ s d	£ s d
To Sundry Creditors		45 18 5
" Capital Account:—		
Per last Statement	203 3 7	
Less Income and Expenditure Account— Balance this year	3 3 10	
		199 19 9
		£245 18 2

Cr.	£ s d	£ s d
By Library Books:—		
Per last Statement	149 17 2	
Additions this year	9 10 3	
	159 7 5	
Less Depreciation this year	34 14 4	
		124 13 1
" Library Furniture and Fittings—per last Statement	29 11 6	
Less Depreciation this year	1 12 10	
		27 16 8
" Institute of Chartered Accountants in England and Wales		22 3 6
" Cash at Bank		71 2 11
		£245 18 2

Audited and found correct. (Signed) HENRY ANSTEY,
Chartered Accountant.

BRISTOL, *13th March 1907.*

In moving the adoption of the report and accounts, the Chairman briefly reviewed the work of the past year. He reminded the Society that they were meeting for the first time in the new room which had been secured for the accommodation of the Library, and expressed the hope that the change would conduce to the convenience and comfort of the members. He also expressed the pleasure he felt at the continued success of the special classes for articled clerks. Continuing, the Chairman referred to the efforts which the Council of the Institute has been making to get the position of English accountants practising in the Colonies more clearly defined, particularly in the case of the Transvaal, where serious questions have arisen upon the working of the Ordinance governing the profession. Under this Ordinance English accountants are allowed to undertake casual work, but it is by no means clear whether they are allowed to settle in the Colony and practise professionally. The governing body of the Transvaal Society are of opinion that no restriction exists under the Ordinance, but the Council of the Institute are very anxious that the position of its members there should be quite clearly understood. He said it was proposed to apply for a supplemental Charter to secure, amongst other things, that Chartered Accountants practising abroad shall be able to take articled clerks, who may be able to qualify, whilst serving them in the Colonies, for membership of the Institute, and it did not appear that there would be any difficulty in obtaining this concession. As to the registration of accountants, Mr. Jenkins said that he supposed the resolution recommending the amalgamation of existing Societies would be again brought forward at the annual meeting, but it did not appear to him that this was practicable; he thought, however, that registration did not present the same difficulties and was in some ways advantageous, not only to the public, but also to the profession. In closing, the speaker referred to the articles which had appeared in several of the London papers lately upon the question of auditors acting also as accountants to the companies whose books they audited, and to the action for libel which was now pending between a London firm of Chartered Accountants and some of the papers concerned. He said that this case was being very carefully watched by the Council of the Institute, and that the whole subject was receiving their consideration.

Mr. Clare Smith, in seconding the resolution, informed the meeting that he had ventured to represent to the Secretary of the Institute that it might prove useful to provincial Societies if a conference of representatives of such Societies could be arranged to take place during the autumnal meeting, to give them an opportunity of

exchanging ideas on the methods adopted by their respective Societies, and with a view to extending the benefits and influence of such Societies in the various districts.

The resolution was unanimously carried.

The following officers were re-elected:—President, Mr. F. A. Jenkins, F.C.A.; Hon. Librarian, Mr. S. Tryon, F.C.A.; Hon. Secretary, Mr. W. Vaughan Jenkins, F.C.A. Messrs. S. Pim Jackson, F.C.A., and Clare Smith, F.C.A., the retiring members of the Council, were also re-elected, and Mr. Henry Anstey, A.C.A., was again appointed auditor.

A resolution approving the suggestion of Mr. Clare Smith mentioned above was unanimously adopted, and ordered to be sent to the Secretary of the Institute.

The meeting closed with thanks to the Chairman for presiding.

Obituary.

Herbert Llewellyn Atkinson, A.C.A.

We regret to record the death of Mr. Herbert Llewellyn Atkinson, which occurred at his residence, Tettenhall Road, Wolverhampton, on the 8th inst. On the 5th inst. Mr. Atkinson, while cycling along the Penn Road, Wolverhampton, fell from his machine and sustained severe fractures of the skull, which produced unconsciousness, from which he never recovered.

The deceased gentleman, who was the son of the late J. J. Atkinson, a well-known Government Inspector of Mines, came to Wolverhampton from the North of England in 1884. Three years later, in conjunction with Mr. Theo. Addenbrooke, he founded the firm of Atkinson & Addenbrooke, and continued to practise with marked success up to the date of his death.

Mr. Atkinson took a keen interest in sport. Some twenty years ago he was a forward in the Wolverhampton Rugby team, and in recent years he was an enthusiastic golfer, serving on the Committee of the South Staffordshire Golf Club for a long period. He married Miss Stephens, daughter of the late Rev. W. Stephens, formerly vicar of Wednesfield, and he leaves a widow and six children, to whom the utmost sympathy is extended in their bereavement.

Arthur Towers, F.S.A.A.

We regret to announce that Mr. Arthur Towers, the Borough Treasurer of Islington, passed away on the 9th inst., at Torquay, after an illness of some months' duration, at the age of 53. Mr. Towers relinquished the position of Assistant Accountant to the Corporation of Nottingham to enter the service of the Islington Vestry as accountant in 1887, and quickly proved his financial capacity, as well as his trustworthiness. He was, after some years' service, appointed Treasurer, and when the London Government Act of 1899 was passed he was unanimously appointed Borough Treasurer and Accountant, and was recognised in London as an authority on the intricate financial questions which arose in connection with the constitution of Metropolitan Borough Councils, more especially in regard to what are known as the "adoptive" Acts. Mr. Towers was not only esteemed as their financial adviser by the Islington Borough Council, but beloved as a man by such of their members as came into contact with him, as well as by his colleagues and the whole of the Council's staff. He was a Fellow of the Society of Accountants and Auditors (Incorporated) and President of the Incorporated Institute of Municipal Treasurers and Accountants, and was highly thought of by the members of his profession all over the country.

Personal.

Messrs. Hugh, Smylie & Co., Chartered Accountants, 13 Donegall Square North, Belfast, announce that Mr. Thomas R. Burns, A.C.A., late partner with Mr. John McCullough (Messrs. John McCullough & Burns), has joined the firm as a partner, and they will continue to practise under the style and title of Smylie, Burns & Co., at the above address.

Mr. Bernard Barnett, Chartered Accountant, of Berridge Street Chambers, Leicester, announces that he has opened an office at Bentinck Chambers, Market Street, Mansfield.

Mr. J. E. Bowes, Chartered Accountant, of The Equitable Building, George Street, Sydney, has taken into partnership Mr. William Craig, who has held a confidential position in his office for the past eighteen years. The business will continue to be carried on at the above address under the style or firm of Bowes & Craig.

Messrs. Bird, Montgomery & Co., Chartered Accountants, of 5 Fenchurch Street, London, E.C., announce that the partnership subsisting between Mr. Fenn Kidson and themselves has been dissolved by mutual consent. They will continue to practise at the above address.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday April 12th was 141, viz.:—

New Bankruptcy Proceedings published in the *London Gazette*, 81; Deeds of Arrangement registered, 60. The respective numbers in the corresponding week of last year were: Bankruptcies, 93; Deeds of Arrangement, 76—total, 169. being a decrease of 28 The total number of commercial failures recorded during the 15 weeks of the present year is 2,281; the total number recorded in the corresponding 15 weeks of last year was 2,576, showing a decrease of 295.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday April 12th, was 141. The number in the corresponding week of last year was 167, showing a decrease of 26. The total number filed during the 15 weeks of the present year is 2,276; the total number filed in the corresponding 15 weeks of last year was 2,378, showing a decrease of 102.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday April 12th amounted to £463,501, by way of addition to £973,178, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,102,534, showing a decrease of £639,033. The total amount registered during the 15 weeks of the present year is £23,333,826 (in addition to the issues in previous years by the same companies), as compared with £24,493,614 for the corresponding 15 weeks in 1906, showing a decrease of £1,159,788.

The Profession in Scotland.

Society of Accountants and Auditors.

The annual meeting of the Scottish Branch of the Society of Accountants and Auditors was held in the Religious Institution Rooms, Glasgow, on the 12th inst., Mr. D. Hill Jack, J.P., in the chair. In moving the adoption of the annual report, the Chairman referred to the progress made by the Society during the past year, and to the fact that the Society's certificate was recognised as of real professional value, the Council being desirous of only admitting to membership through the medium of the examination. A pleasing feature of the past year was the cordial relations existing between the Society and the Institute of Chartered Accountants in England, especially with regard to a Registration Bill for the profession in England and Wales. Mr. Robert Young, Elgin, seconded the adoption of the report, which was agreed to. Messrs. D. Hill Jack, J.P., Robert Young, Robert Lumsden, William Robertson, F.F.A., and J. Booth Greig, J.P., were re-elected members of Council. Messrs. R. T. Dunlop and H. W. Auld were elected members for the ensuing year.

Auditors of Town Council Accounts.

In exercise of the powers conferred upon him by the Town Councils (Scotland) Acts, 1900 and 1903, the Secretary for Scotland has caused letters of appointment to be issued to the accountants selected to audit the accounts of Town Councils for the year 1906-7. The following gentlemen have received appointments for the first time, viz.:—D. N. Cotton, C.A., Edinburgh; Thomas Guthrie, C.A., Glasgow; and S. Easton Simmers, C.A., Glasgow. Several transfers have also been made.

Scottish Insolvencies.

For the week ending 13th April the number of insolvencies reported in Scotland was 26, as compared with 32 in the corresponding week of last year. The trust deeds numbered 15, as compared with 18; the sequestrations 6, as compared with 7; and the petitions for cessio 5, as compared with 7. The total number of insolvencies for the fifteen weeks of the year is 424, as compared with 395 in the corresponding period of last year—the trust deeds numbering 206 against 183, the sequestrations 79 against 100, and the petitions for cessio 139 against 112. Of the 15 trust deeds reported during the week, 10 were granted in favour of Chartered Accountants. Seven voluntary liquidations of limited liability companies were gazetted during the week, making 50 for the fifteen weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%

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The Accountant

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EXAMINATIONS.

THE next Examinations will be held on the following dates:—

The Preliminary Examination on the 4th, 5th, and 6th June 1907.

The Intermediate Examination on the 27th and 28th May 1907.

The Final Examination on the 29th, 30th, and 31st May 1907.

Persons desiring to present themselves for examination must give notice to the Council at least thirty days before the date of the Examinations, at the same time forwarding the examination fee.

Full particulars and forms may be obtained at the office of the Institute, Moorgate Place, London, E.C., and at the various Branch Libraries.

By order of the Council,
GEORGE COLVILLE,
April 1907. *Secretary.*

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Leading Articles.

Death Duties and Income Tax.

THE Chancellor of the Exchequer announced, in the course of his Budget speech on the 18th inst., that he proposes to increase the Death Duties on estates of over £150,000. Under the present law the duty rises in stages by increases of ½ per cent., but when the new duties are in operation the increases will be 1 per cent. in each case, and will continue to

increase in the case of estates valued at upwards of one million sterling. The differences may be readily seen by the aid of the following tabular statement:—

Not exceeding	Present Duty	New Duty
£250,000	6½ per cent.	7 per cent.
500,000	7 ,,	8 ,,
750,000	7½ ,,	9 ,,
1,000,000	8 ,,	10 ,,

On estates exceeding one million pounds the duty will be 10 per cent. on the first million, 11 per cent. on the next half-million, 12 per cent. on the next half-million, and so on up to a maximum of 15 per cent. Under the 1894 Act the maximum rate for large estates was 8 per cent. In this connection it is of interest, perhaps, to note that, as Estate Duty is payable upon all property passing by death, the same estate sometimes pays duty at comparatively frequent intervals. Probably a record in this connection is that which has just been noted in connection with the estate of Sir FREDERICK WIGAN, Bart., who, it may be remembered, died during the London County Council election last month, leaving an estate valued at £530,569. Sir FREDERICK's eldest son died exactly five weeks later, with the result that the Revenue obtains duties amounting to nearly £45,000 on the first death and an additional £25,000 on the second.

The announcement made by the Chancellor of the Exchequer that he proposes to grant a rebate of 3d. in the £ upon earned incomes not exceeding £2,000 has been received with much satisfaction by those who would benefit under the arrangement; and, perhaps not unnaturally, at the best by only qualified approval on the part of those who are not equally voured. It is probable that, so far as our aders are concerned, in the majority of cases the new arrangement provides them with a substantial benefit, representing for all practical purposes a reduction of income-tax from 1s. in the £ to 9d. in the £. There are certain questions, more or less of detail, however, in connection with the matter that have yet to be exactly settled, and which may very easily prove somewhat difficult of adjustment without hardship. The additional work thrown upon the Inland Revenue officials—who will, it is estimated, have to satisfy themselves as to the income from all sources of approximately a further million taxpayers—has no doubt been taken into consideration, and has, indeed, been provided for in the estimates for 1907-8. The onus of proof has very properly been thrown upon the taxpayer, as, under no other arrangement would it be practicable for the Inland Revenue officials to secure the information necessary to enable them to arrive even approximately at the facts. Probably, therefore, this extension of the limit within which abatements of some sort or another are provided will be found to introduce no insuperable administrative difficulties; but, at the same time, we think it was wise thus to proceed by stages, and to refrain from adopting in its entirety the recommendation of the Income-Tax Committee that the concession in respect of earned incomes should extend up to £3,000, and that the loss of revenue so occasioned should be made good by a sur-tax on incomes above £5,000. Some day it may be practicable to devise and adjust the machinery necessary to carry out this more complicated scheme with that approach to reasonable accuracy necessary to avoid serious ground for complaint; but, in the meantime, it was eminently desirable that the simpler plan at present put forward should not be delayed.

What is undoubtedly a more serious difficulty will be found in distinguishing between earned and unearned incomes. Certain classes of income, no doubt, come clearly within one class or the other. Thus, it has been stated that all salaries and profits from business, including dividends of private companies and all professional incomes, are earned, and that *per contra* income derived from investments and annuities, or by inheritance, is unearned income. While this obviously represents, upon the face of it, a very rough distinction, it is even in that form quite debatable upon points of detail. Thus, if salaries represent earned income, so presumably would deferred pay; and if deferred pay, why not pensions or other form of retired pay? Then, again, at what precise point is the line to be drawn between income derived from the profits of a limited company as a result of actual work, and income derived from investments? We need, perhaps, hardly point out to our readers that the heads of many private companies take a much less active part in their business than that represented by the time and attention that some men give to their investments. At this point we feel convinced that it will be found necessary to modify the distinctions put forward above. The only practicable place to draw the line is, it seems to us, between limited and unlimited liability. An income derived under such circumstances that there is a limited liability is unquestionably derived under more favourable circumstances than where the liability is unlimited; and this would, we are convinced, be the most reasonable place to draw the line.

With regard to incomes on investments, other questions of difficulty arise, however, before the problem can be regarded as having been dealt with in an entirely satisfactory manner. Thus, if deferred pay or pensions be admitted to be—as, indeed, in all fairness they must—earned incomes, it would seem to necessarily follow that any voluntary accumulation out of income for future use—as, for example, to purchase a deferred annuity—results equally in an income that in all fairness ought to be described as earned; yet it would seem to be altogether impracticable to cast upon Inland Revenue officials the duty of ascertaining how each individual member of the community obtained the money which he has invested, with a view to differentiating the income-tax accordingly.

Our own view is, as we have stated upon previous occasions, that the attempt to distinguish between earned and unearned income is bound to result in a maximum amount of friction while producing a minimum amount of substantial justice; and the attempt is all the more undesirable in that the object sought to be obtained can be far more simply obtained by other means. Viewed broadly, all income that has not been earned must arise either through spontaneous increase in values or by inheritance. Spontaneous increases in value are, for all practical purposes, confined to land, and might thus well be made by an additional tax on the transfer of land. Wealth derived from inheritance is, of course, already somewhat heavily taxed by Death Duties; but, if thought necessary, these, and particularly Legacy and Settlement Duties, might be further increased. While, with a view to avoiding settlements during lifetime, substantial increases upon the duty on all conveyances other than those for value might well be made.

In principle, as we have stated, there is much to be commended in Mr. ASQUITH'S Budget, but we rather foresee considerable difficulties in the practical application of those principles during the current fiscal year.

Borough Councils and Professional Auditors.

OUR readers will have observed that in our last issue there appeared an advertisement issued by the Borough Council of Bromley inviting applications for the post of professional auditor, at an inclusive annual fee of fifty guineas. Applicants were required to be Chartered Accountants, and would be expected to undertake what was described as a running audit of the Corporation's accounts, in accordance with the Schedule of Duties to be obtained at the offices of the Town Clerk.

There are many points of interest in connection with this announcement. First and foremost, it appears that, while the London County Council is still hesitating as to whether it has the power to employ professional accountants to undertake an independent audit, the Bromley Council, following the lead of quite a number of municipal corporations, is acting. Whether, however, it is acting upon the best possible lines is, we think, at least open to discussion.

We may point out, in the first instance, that even supposing the appointment was first advertised on the date borne by the advertisement—namely, the 10th inst.—but a bare fortnight was given for the announcement to become known. As probably the advertisement in these columns of the 20th inst. was the first intimation received by the great majority of Chartered Accountants, it would seem that proper steps have scarcely been taken to notify the profession with a view to throwing the appointment open to all members. It is, of course, open to us to hope that notwithstanding this a sufficient number ›plications will be received to enable a 'e appointment to be made.

Our second objection to the manner in which this matter is being handled is more serious, in that it involves a somewhat vital matter of principle. We altogether dissent from the suggestion that the duties of the auditor should be defined by the Council. While we are, of course, aware that such an audit, being a voluntary and not a statutory audit, is entirely a matter of arrangement between the Council and the auditor selected, we may point out that, inasmuch as the object of incurring this expense is presumably to satisfy the public—as a result of an independent examination by a Chartered Accountant of known repute—that the accounts are in order, it would be quite unreasonable to expect ratepayers and other interested parties to aceept any such assurance unless the audit had been conducted upon lines which commended themselves to the auditor as being sufficient and adequate. It may, of course, be argued that if the Schedule of Duties has not been framed upon such lines as to make the audit effective, no self-respecting practitioner will accept the position. This, however, seems to us to be a somewhat unreasonable assumption.

Applicants must in the first instance know little or nothing about the precise circumstances of the case. It is thus quite conceivable that they should fail to appreciate any limitation of their powers until at some later stage the question arises. If, then, they find that they cannot make their audit effective without going beyond the scope of their duties as contracted for, they will be in a somewhat difficult position, for it will presumably be no part of their duties to draw attention to the limitations of their appointment, and, indeed, they would not practically have any means of so doing.

While giving the Bromley Borough Council every credit for good intentions we have thought it necessary to draw attention to this point, as it is extremely important at the present time that no opportunity should be given to interested parties to point to anything that might be regarded as tending to discredit the principle of the professional audit for the accounts of local authorities. We have no doubt that whoever is appointed to this particular post will discharge his duties not merely to the satisfaction of the Council, but also in a thoroughly satisfactory way from every point of view. If, however, the terms of the appointment are such as to in any way limit his efficiency, obviously an argument has been deliberately placed in the hands of those whose interest it is to discredit the professional audit *per se*.

The Cost Accounts of Small Manufacturers.

IN our issue of the 9th ult. we printed a paper on the above subject, read by Mr. M. WEBSTER JENKINSON, A.C.A., at several meetings of Chartered Accountants Students' Societies during the months of February and March, and we may mention that this paper has since been published in book form by Messrs. GEE & CO., price one shilling. It is thus readily available for the use of those who may have occasion to refer to it, and we venture to think that these are likely to be a somewhat numerous body, bearing in mind the importance of the subject and the manner in which it has been handled.

In dealing with an audience of accountant students, the lecturer was undoubtedly wise in drawing somewhat prominent attention to the futility of relying upon theory alone for the evolution of a system of Cost Accounts suitable to any particular undertaking. It is worth while to bear in mind, however, that the converse holds equally good—that is to say, the practical manufacturer cannot hope to evolve a satisfactory system of costing without the aid of theory. The point is the more worth bearing in mind in that, of the numerous inefficient so-called systems of Cost Accounts in existence, by far the larger number have been evolved by practical manufacturers without the aid of professional accountants, and without regard to the principles of accounting or the necessity of so arranging the accounts as to make them to the largest possible extent self-checking. Of late there is evidence that manufacturers in this country are awakening to some appreciation of the fact that they are at a disadvantage because their accounting methods are not up to date. They do not, however, appear even yet to have realised that, although no wise accountant will attempt to devise a system of costing without first very carefully considering all the practical circumstances of its environment, costing systems are, nevertheless, a department of accounting upon which professional assistance is absolutely necessary, if satisfactory results are to be achieved. Until it is really understood that economy of expenditure increases net profits just as directly as does an enlargement of output, this state of affairs is likely to continue.

For these reasons we do not at all agree with Mr. JENKINSON'S statement that the most ignorant manufacturer knows more about costing in his own business than any average Chartered Accountant, and we are convinced that that would not be the experience of the average practitioner. A good many manufacturers think they know all about costing,

those who have studied their systems in the majority of instances come to the conclusion that in a very large number of cases they are totally unacquainted with even the elements of the subject, and that their ideas are as defective in principle as in matters of detail.

With regard to the system, or rather the alternative systems, suggested by the lecturer, if they are really intended to apply to small manufacturers there is no doubt a good deal to be said in favour of the retention of the old-fashioned method of record in bound books. But in the case of manufacturers transacting a business of medium size, and *à fortiori* in the case of large businesses, the necessity for prompt records almost invariably demands the employment, to the largest possible extent, of Card and Loose-leaf methods of accounting; and as under these circumstances a properly-trained bookkeeping staff ought always to be available, there should be no difficulty in utilising these modern methods to the greatest possible extent. Even, however, when the bound-book system is retained, we would deprecate the use of counterfoil Requisitions, in that the manifold system occupies less time in their actual preparation, and further enables copies in any required number to be obtained in exact facsimile of the original; whereas it is notorious that the entries upon a counterfoil are never an exact copy of the original, but invariably an abbreviation, and not infrequently an incorrect one at that.

Another point upon which we feel constrained to join issue is the statement that the Stores Ledger is quite apart from the cost books, and has nothing to do with the financial books. In a sense, this statement is doubtless orrect; but it suggests that stores books, cost oks, and financial books are entirely independent of each other, and it is only one step from this to a state of affairs in which they are absolutely incapable of being reconciled with each other. The Stores Ledger is directly subsidiary to the financial books, as providing a continuous and detailed record of movements of materials, amplifying and verifying the Materials Accounts in the financial books. Similarly, the cost records amplify and verify the Trading Account. It would thus be more accurate to regard these two as Departmental Ledgers, capable of being balanced independently of the financial books, and of being controlled by the aid of total accounts kept therein.

On the subject of Oncost, Mr. JENKINSON's comments are of but limited utility, in that they are obviously confined to specific cases. It cannot be too clearly emphasised that no hard and fast system of apportionment can work equally satisfactorily and produce equally accurate results under all conditions.

The concluding portion of the paper, dealing with the auditor's relations to the Cost Accounts, we regard as being specially valuable, but we think the statement that it is no part of the regular duty of an auditor to check the Cost Accounts is too sweeping. It is the regular duty of an auditor to verify the financial books of an undertaking, to the best of his ability, by the aid of the available material. If it be unnecessary to check the Cost Accounts in detail, it is only for the same reason that it is frequently unnecessary to check the financial accounts in detail—namely, because the accounts have been arranged upon a system that is self-checking, and is capable of being controlled by the aid of total accounts. In this connection, however, it is perhaps worth while to mention that probably one of

the chief reasons why manufacturers, as a class, seem to like to withhold Cost Accounts from the cognisance of their accountants, is because by that means they are better enabled to keep Secret Reserves, and the manipulation of Secret Reserves, from the knowledge of their auditors. It has been held that such knowledge cannot legally be withheld from the auditor of a company; and, that being so, there can be little doubt that it is the duty of the company auditor to make himself acquainted with all that the Cost Accounts are capable of telling him. The more the Cost Accounts are systematised, the easier will be his task, and the more efficient the manner in which he is able to discharge his statutory duty. This, again, may possibly explain why in some cases there is a disinclination to systematise these important records.

A Bankrupt's Discharge.

[CONTRIBUTED.]

In re Van Laun.—The decision of the Court of Appeal, reported in our Law Reports of the 13th inst., to support the granting of the debtor's application for discharge raises some very important points, and it is, we think, to be regretted that the Court came to the conclusion which it did, not, apparently, without some doubt. The assets had not realised 10s. in the £, and the Official Receiver reported that the value remaining was uncertain. The Registrar, in granting the application, must have assumed that the estate was likely to yield 50 per cent. of the amount expected to rank for dividend or he could not otherwise have disposed of the insufficiency of assets offence which presumably was alleged under Section 8. The unrealised assets consisted of certain rights under contracts entered into by the debtor, which, according to the Official Receiver, were of problematical value only. The onus of proving that these assets were not of the value found by the Registrar was thrown upon the appellant creditors, although, judging from the evidence, the debtor could hardly be said to have established the contrary in the inferior Court. It is difficult to reconcile the effect of the judgment with some of the remarks reported to be made by the Master of the Rolls, which, by themselves, appear to form strong arguments in favour of the finding of an altogether different conclusion from that at which the Court ultimately arrived; and we cannot help thinking that an unfortunate precedent has been established for voluntarily surrendering what little hold the Court possesses over a debtor with regard to the realisation of his property. For, so long as the discharge remained ungranted, the trustee would have had the active assistance of the debtor, who, in his own interest, would have been compelled to recover 10s. in the £ at least for his creditors in order to obtain a release not involving any suspension; but the result of the decision is that the Court has placed the debtor in a position where his interests may clash with his duty to his creditors. We do not say that the granting of the application in this case will have any effect upon the debtor's efforts to do the best for his creditors. We are dealing with general principles only, but what we do say, unhesitatingly, is that no insurance company could be found to guarantee such a possibility. It is true, to a certain extent, that a discharge has no effect upon the machinery for collecting the assets and paying dividends, which works, as a rule, automatically and uninterruptedly up to the release of the trustee, but it ought to be to the interest of the debtor, as it is to the creditors, that rust should not be allowed to accumulate for want of oil. If this decision remains, it will not be long before a case may arise where there is collusion between a bankrupt and his trustee to defeat creditors by the trustee reporting favourably with regard to unrealised assets in order to secure an immediate discharge, the Official Receiver being bound, of necessity, to incorporate the trustee's remarks on the assets in his own report to the Court, as he has no other means of forming a judgment as to their value.

It was not until an ingenious debtor, some years since, avoided bankruptcy altogether by propounding a scheme of arrangement for paying his creditors 7s. 6d. in the £ out of mining property or rights in Ruritania, or some other place, that officialdom awoke to the desirability of having responsible sureties for the carrying out of these arrangements.

Weekly Notes.

Company Law Reform. A correspondent of *The Tribune* draws attention to the grave objections, which, he says, exist from the point of view of "private" limited companies, to the provision contained in the Bill now before Parliament, requiring

limited companies to file at Somerset House an annual Balance Sheet certified by the auditors. The point made by our contemporary's correspondent is that the object of the provision is to afford protection to persons doing business with limited liability concerns by enabling them to obtain information respecting their assets and liabilities, but such protection is not afforded in the case of business with firms or individuals other than limited companies, and yet no injustice is felt. He states that it is usual for persons about to do business with a limited company to apply for certain information to the company, and if it is refused they are quite at liberty to draw their own conclusions. He considers that while every effort should be made to protect the investing public, the man of business is quite able, and should be left, to take care of himself. He makes a suggestion that the filing of yearly Balance Sheets should be compulsory only upon such companies as have, by their articles, taken powers to apply for a quotation on the Stock Exchange, and he thinks this would constitute a simple definition of the difference between "public" and "private" companies. The competitive strain of modern business is ignored altogether in these arguments, and we cannot see that the filing of an annual Balance Sheet by all limited liability concerns is too great a tax to be paid for the privilege of limited liability. As to the distinction between "public" and "private" companies, this point will, perhaps, never be satisfactorily settled from a practical point of view at any rate, however much definitions may satisfy lawyers, because what is private to-day may be public to-morrow, to all intents and purposes, by methods which are too well known to need description.

Company Law Reform. The above seems to have stirred up many amateur reformers of our company laws. Mr. Arnold J. Marks, in the course of a long letter, complains that the present position may be said to be one in which vendors, promoters, and their agents and nominee directors are ranged against the investing shareholders. The vendors, promoters, and their friends so arrange matters that the practical control of the company remains in their hands, with the result that the investor is completely deprived of his rights. His suggested remedy is set out as follows:—

1.—That shareholders holding or representing, say, 25 per cent. of the issued working capital, or 10 per cent. of the entire issued capital, in any public company shall have the right of application to the Registrar of Joint Stock Companies for investigation by the Court into any transaction or dealing by the company, its servants, or agents, upon the applicant establishing a *primâ facie* case to the satisfaction of the Court that the shareholders' property and interests are or have been improperly dealt with or affected.

2.—That ample security for costs be given by any such applicant.

3.—That upon the Court holding that there has been, or may be, improper dealings the same may be set aside—or injunction granted—or damages awarded against those concerned.

4.—That it shall be incumbent upon any public company whose shares are offered or dealt with in the United Kingdom to hold the usual shareholders' meetings or confirmatory meetings in London where the offices of such company are outside the jurisdiction of our Courts.

We think a better remedy would be available if shareholders generally would exercise a little more discrimination as to their investments, and not rush in, with that sublime audacity which is denied to angels, in the face of the very disabilities about which they afterwards complain so loudly. Let us educate the investor rather than place him in a ring fence of "Thou shalt not" legislation.

Consols. In an interesting article on the subject of "Consols and National Finance," *The Financial Times*, in a recent issue, makes some very instructive remarks. The want of backbone displayed by Consols is, of course, deplored, but some points of view are mentioned which indicate that a low price for Consols has compensations. This attitude is so unusual that attention may be drawn thereto. In the first place, it is hoped that the Chancellor of the Exchequer will devote some of the revenue surplus to the cancellation of outstanding debt; and it is said that the low price of the funds is the strongest possible argument in favour of this course, as not only would a portion be redeemed on favourable terms, but a good step would be taken to help restore British credit in view of possible future requirements. It may be noted that a million sterling will redeem at the present time no less than £1,162,000 of nominal debt. Ten years ago the same sum would only have redeemed about £890,000 of Consols. Another interesting point is that the last issue of Consols was made in April 1902 at 93½ per cent., when 32 millions realised £29,920,000 in cash. This portion of the debt could now be redeemed at a cost of 27½ millions, being a saving of

nearly 2½ millions sterling on one issue. It is said that this is a very strong inducement to apply available funds to the extinguishment of debt. Reference in the article is then made to the Post Office Savings Bank deposits. The last published accounts showed that there was owing to depositors a sum of 152 millions sterling, which is mainly represented by investments in British Government securities, and particularly by about 60¾ millions of Consols. Some little time ago there was considerable agitation with regard to the shrinkage in the market value of these stocks, and the Department were in the habit of compiling an annual Balance Sheet showing on the one side the amounts due to depositors, and on the other the securities taken at market prices at the close of the year. The estimated loss at the end of the year 1902 was nearly six millions sterling, and to-day, of course, the deficit would be still larger, but it is stated that there are other considerations which must be borne in mind, and the disappearance of the "misleading" Balance Sheet is hailed with satisfaction. The point sought to be driven home is that the yield of Consols at the present time enables the Department to show a surplus instead of a deficiency, and it is said that it is far more important that there should be a positive surplus on Revenue Account than a merely nominal one on Capital Account. It is also remarked that, instead of having to realise securities at low prices, the Post Office Savings Bank Department is a perpetual buyer, and the low price is, therefore, an advantage from both points of view. This argument is all very well so far as it goes, and while the surplus on Revenue Account may be quite satisfactory, the continued depreciation on Capital Account must not be ignored; because, after all, it is not the surplus on Revenue Account which is going to provide the funds wherewith to pay off the depositors in case of a run on the bank, but the proceeds of the investments, and as the total amount due to depositors at the end of the year 1905 was the vast sum of 152 millions odd, this particular point is a matter which should not be overlooked. We might suggest that the surplus on Revenue Account should be applied towards providing for the deficit on Capital Account. This would seem to be the most prudent, and at the same time the most businesslike, course of action.

Company Law in New South Wales. Messrs. Robertson, Lawson & Co., of Old Broad Street, write as follows to the financial press:—

We have advices from our correspondents in New South Wales regarding a new Act which received assent on 11th December last, known as "The Companies Amendment Act." Under this Act any company registered elsewhere than in New South Wales and carrying on business in New South Wales shall within six months from the commencement of the Act register—

(*a*) Its name and a copy of its memorandum and articles of association.

(*b*) A Balance Sheet containing a statement of its assets and liabilities at a date not more than twelve months prior to the date of such registration.

(*c*) Name and place of abode of business of the person appointed by the company to carry on the business of the company in New South Wales.

(*d*) The situation of the principal office of the company or society in New South Wales.

The person so registered is to be deemed the agent of the company. Any company failing to comply with the provisions of this Act and any person carrying on the business of any such company which has failed to comply with such provisions shall be liable to a penalty not exceeding £5 a day during which business shall be carried on. Every such public officer shall be answerable for the doing of all such acts and things as are required to be done by the company and shall be personally liable for all penalties, &c. Having registered in terms of the Act, the company must then comply with the provisions of Sections 20 and 21 of the principal Act. These sections involve the furnishing of a return every year containing a summary of the shareholders, capital of the company, &c. Moreover, the company is under obligation to make at least once in every year a list of debenture and stock holders, showing the number, denomination, value, and due date of all debentures, stock, and other securities secured on the property of the company. This list must specify the names, addresses, and occupations of the persons to whom such debentures, stock, or securities were issued or given by the company, or in whose name such debentures, stock, or securities stand in the books of the company. This summary of shareholders and list of debenture and stock holders is to be completed within three months of a general meeting at which a Balance Sheet is presented every year, or within the last six months of the preceding year, and the list and the Balance Sheet are to be filed in the office of the Registrar-General.

These are the principal features, so far as they are likely to affect English companies.

The Outlook for Commercial Affairs in the States. From transatlantic reports it seems pretty evident that in many quarters a belief has sprung up that a period of industrial recession is at hand in the United States, for it is said that the banks—always the first straws in the stream to indicate the change of the current—are refusing to lend money for the purpose of increasing

industrial plants or of business extension, though they show no hesitation in providing for legitimate requirements at fair rates. As regards the railway outlook, retrenchment must be inevitable, for it cannot be expected that so astute a politician as President Roosevelt has shown himself to be has placed all his cards on the table. Indeed, in one quarter it is said that "the next year or so will be sensational in developments between the Government and the railroads." Already the pinch is making itself felt, for the money market seems to be discriminating against the railroads. As an example of this tendency the case of the Erie Company may be quoted. This company had five million dollars of notes maturing between April and the end of June next, and in order to take these up it is said that the company's bankers have discounted a new issue of 5,500,000 dollars, which is being offered to investors at 93, so that, as one critic says, the Erie line is paying about 10 per cent. for a year's accommodation. Students of American affairs—and in these international days few can afford to ignore the United States—will doubtless find much that will be interesting and instructive in the happenings of the next few months—that is, if the prophets estimate the future correctly.

Stock Exchange Reform. In a recent number of the *Contemporary Review* the Assistant-Secretary of the Liverpool Stock Exchange points out some of the defects of the Stock Exchange (London), which tend to keep it out of harmony with the public, whose confidence is said to have been lost. His suggested changes are:—

(1) The abolition of the dual status of jobber and broker.

(2) The establishment of a minimum scale of commissions.

(3) The prohibition of dealings by members of the Stock Exchange with any outside dealers, except those of provincial Exchanges, or, at least, any dealings with any broker who advertises.

A correspondent of *The Financial Times*, discussing these remedies, points out very properly and forcibly that their adoption would create a virtual Stock Exchange Trust, which would benefit the members only and nobody else. There is something to be said, he thinks, for the abolition of the distinction between broker and jobber, and, presumably, for the fixing of a minimum scale for commissions, but that is all. A strong plea is made for the right of advertising, and some very interesting arguments are put forward which at any rate make out a *primâ facie* case for consideration, but in the present state of Stock Exchange opinion there seems little chance of the free criticism which advertising would foster becoming a recognised fact.

People's Co-operative Banks. The Dean of Durham has been recently advocating the establishment of people's banks which are to think "first of the worker, last of themselves." There should be, he says, undoubted security, business-like system, honest treatment, and clear solvency. Among other desiderata he mentions early access, easy withdrawal, good advice to customers, and a fair return to all depositors, in addition to strict secrecy and "an annual inspection of affairs by Government auditors." It would be easy to go on enumerating counsels of perfection and idealistic prescriptions in which the Dean indulges, but they are of so little practical use that we spare our readers' patience. The recipe may be, in Beetonesque language, said to be: Take a heaped up tablespoonful of idealism, add two pinches of Utopian ethics, simmer well over a sharp fire, stirring in a liberal allowance of orthodoxy, and serve hot with platitude sauce.

Partnership and the Prevention of Corruption Act. Someone has discovered that although many articles of partnership contain a provision that expenses incurred by a partner in entertaining persons in the interests of the partnership business shall be repaid to him out of the partnership funds, the practice of treating customers cannot, in view of the Prevention of Corruption Act, be treated as a matter of course. This is rather obvious, of course, but, so long as the entertainment, &c., takes place between principals there can be no objection. Where agents are concerned, the Act applies, partnership or no partnership.

Extension of Trustees' Power re Investments. A Bill to amend the law as to the investment of trust funds in municipal and other securities has been introduced into the House of Commons by Mr. Harmood-Banner, F.C.A., M.P., under the title of the "Trust Investment Bill." The general idea of the measure is to remove the disability that exists at present regarding the securities issued by the corporation of a borough having a population which does not exceed 50,000. It may be remembered that a similar amendment of the law in favour of Scotland took place in

1898. The Bill also authorises the investment of trust funds in securities issued by a joint board and charged on the rates, provided that one of the members of the board is a municipal corporation or county council, and another clause seeks to permit the investment of any Redemption Fund, Sinking Fund, or other fund of a local authority in real securities.

The Association of Municipal Corporations. In another column of the present issue we reproduce an account of the banquet held at the Hotel Cecil on the 17th inst. in connection with the recent annual meeting of the Association of Municipal Corporations. The chair was occupied by Mr. J. S. Harmood-Banner, F.C.A., M.P., the President-elect of the Association.

Unregistered "Limited" Companies. From some correspondence which has been published in a recent issue of *The Financial News* it appears that the Registrar of Joint Stock Companies has virtually admitted that, so far at least as his Department is concerned, there is nothing to prevent anyone who may feel so inclined from describing himself as a limited company without having taken the trouble to register as such, and to pay the prescribed fees. Without going quite so far as to suggest that anyone who deliberately seeks to obtain credit by a false description is seeking to obtain it by fraud, and should thus be amenable to the criminal law, we may point out that it ought, one would suppose, to be the duty of a well-managed Government Department to see that it receives all possible fees. If the fault lies with the law rather than with the executive the law should be amended, and as there is at the present time a Bill for the amendment of the Company Law, this should present no difficulty. We would suggest that a short clause should be added to the effect that all persons, or combinations of persons, describing themselves as limited, not registered under the Companies Acts, or under some other Act providing for incorporation with limited liability, be liable upon conviction to a fine equal to what would have been the registration duties had they been registered as a limited company, without, however, payment of such fine operating to provide them with any of the privileges of registration.

An Old Bankruptcy. In the Coventry Bankruptcy Court on the 15th inst. a debtor who had been adjudicated in 1888, and had absconded, made his first appearance under somewhat unusual circumstances. It appears that, having lately come into possession of a good deal of money, he had returned and paid his creditors 20s. in the £, together with 4 per cent. interest thereon. As the interest in such cases runs from the date of the receiving order, it amounted to no less than 72 per cent. on the claims provable in the bankruptcy.

Bankruptcy Statistics. During the quarter ended the 31st March last the total number of receiving orders and administration orders in bankruptcy was 1,083, as against 1,254 in the corresponding quarter of last year, and 1,317 in the corresponding quarter of 1905. There has thus been a steady and substantial reduction in the number of insolvencies. This reduction is somewhat more marked in High Court cases than in County Court cases, being 162, 183, and 218 for the three quarters already referred to, against totals of 921, 1,071, and 1,099 for County Court cases. It is, perhaps, of interest to note, however, that in the following County Courts there has been a distinct increase in the number of receiving orders during the period under review:—Bath, Bristol, Croydon, Great Yarmouth, Lewes and Eastbourne, Nantwich and Crewe, and Worcester.

A Study in Reservations. Certain shares are reported to be the subject of circulation through the post, and in connection therewith the following certificate by a firm of Chartered Accountants is quoted. Its reservations are instructive to the expert!

Dear Sir,

———, Lim.

In accordance with your request, we beg leave to certify that we have inspected the accounts from 1st January 1900 to 31st December 1904.

We certify the net annual average profits for the five years, ending 31st December 1904 declared by such accounts to be £5,377 8s. 5d. These profits are arrived at after charging £6,058 14s. 6d. for depreciation over the period, which is equivalent to an annual average depreciation of £1,211 14s. 11d.

The accounts to 31st October 1903 were compiled from returns furnished by ———, the accountant, and the details were not examined by our predecessors to that date as subsequent accounts have been.

The annual average profits of £5,377 8s. 5d. are therefore subject to the accuracy of the amounts added by the accountant to Capital Expenditure to that date. We see no reason, however, to doubt the accuracy of the items thus added, amounting in the aggregate to £13,145 11s. 6d.—Yours faithfully.

Surcharges. The District Auditor of the accounts of the Wallasey Urban District Council recently surcharged a number of items in the nature of expenses incurred in attending various annual conferences, exhibitions, and meetings of public bodies. With reference to this incident it is pleasant to quote as follows from *The Municipal Journal* :—

> It is almost certain, of course, that the majority of these surcharges will be remitted by the Local Government Board as the result of the appeal that is now being made to that Department. That is the general custom, but it is none the less desirable that urban district councils and all authorities whose accounts are subject to the audit of the Local Government Board should receive some definite intimation as to whether they are expected to be officially represented at the proceedings of these organisations or not. The effect of district auditors going about the country surcharging local authorities with illegal expenditure that is subsequently approved by the Local Government Board will in the end be to set up a reign of terror that will drive many of the most useful councillors out of the public service altogether.

Income Tax. In reply to the letter from Mr. Herbert M. Gowar, which we reproduced in our last issue, we may say that interest upon a promissory note is not annual interest, and that the maker of the promissory note cannot, therefore, claim to deduct income-tax on the interest from the face-value of the note. A bill of exchange is an unconditional undertaking to pay a fixed sum on a fixed or determinate date. With regard to the case cited by our correspondent, we very much doubt whether a secretary as such could be held personally liable in any event provided he had not acted in opposition to instructions given by the directors. It occurs to us as being more probable that the facts upon which our correspondent is relying are that a liquidator, in making payments of interest, has deducted income-tax at the current rate, and has afterwards distributed the moneys in his possession without accounting to the Inland Revenue authorities for the tax so collected by him. In such a case the liquidator would presumably be personally liable, because the funds in the liquidation are under his control. A secretary, however, does not personally deduct interest from interest payments. The deduction is made by the company, and it is the company that is accountable to the Inland Revenue authorities.

The Assignment of Book Debts. With further reference to the letter signed "Curious," which appeared in ur Correspondence columns last week, we may point out that it is quite competent for a trader to assign his book debts, and that such assignment requires no registration. In the case of bankruptcy, however, notice of the assignment must have been served upon the debtor prior to the bankruptcy, or the trustee will be entitled to claim that the property had not passed from the assignor. Such assignments, if made *bonâ fide* for value, are protected transactions, even if occurring upon the eve of bankruptcy.

Legality of Rate to Cover Depreciation Charges. The question raised by our correspondent Mr. Fred. J. Beckett, as to the right of a local authority to levy a rate to make good the deficiency of a trading undertaking when that deficiency has been caused by making provision for depreciation, raises a question of some interest which has not yet been legally decided. Pending an actual decision in Court it is, of course, only possible to surmise what view the Courts may ultimately take, but we should be somewhat surprised if it were to be held that a local authority had no power to charge anything against Revenue save actual payments in money. If the ordinary Revenue expenditure may be charged against profits, whether actually paid out or not, it would seem to naturally follow that any reasonable reserve for future expenditure upon repairs is equally chargeable, provided it be an estimate to cover a loss actually sustained during the current period for wear and tear. A provision for obsolescence would, however, quite possibly come under another heading, in that it is by no means certain that the provision will be needed.

The Equitable Life Assurance Society. The 145th annual general meeting of the Equitable Life Assurance Society has been convened for the 2nd prox., when the accounts for the year ended the 31st December 1906 will be submitted for approval. As the auditors' certificate attached to these accounts is dated the 21st February last, it is not quite clear why there should be so much delay in the holding of the general meeting. It is interesting to observe, however, that, at all events in one respect, the society is thoroughly up to date, in that its articles require that one of its auditors shall be a professional accountant or a firm of professional accountants, the post being at present held by Mr. Frederick Whinney, F.C.A. The total amount of new business amounted to £284,929, producing in premiums £9,052, not including £971 in single premiums. The sum of £8,108 was received as purchase-money for

annuities amounting to £661 per annum. During the year under review claims by death arose under 93 policies, of the face value of £119,800. Bonuses, however, had increased the total amount payable to £262,758. The society is a purely mutual one, and has never employed agents, or paid any commission on the introduction of business, yet its net premium income amounted last year to £188,201, and its total funds to nearly five millions sterling.

The Origin of Frauds. At the Guildhall Police Court recently it was stated that a stockbroker's clerk, who was charged on his own confession with heavy defalcations in his accounts, had written a letter to his employers, in which, while offering no excuses, he condemned the system obtaining in the office, which, he said, had made his way easy, as no check was put upon his doings. In any other office, he continued, what he had done would have been discovered at once. But for the exceptional circumstances arising out of the recent financial crisis he might, he asserted, have gone on undetected almost indefinitely. Whether or not all of these assertions be true or false, the fact remains that with a proper system of accounts, properly checked, it is absolutely impossible for serious fraud to remain undetected for any considerable length of time. On the other hand, an absence of all systems of check, not merely leaves the door open to fraud, but sometimes even suggests it.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Assignment of Book Debts.

[There is no need of registration. The assignment might, however, in itself amount to an act of bankruptcy, either as a "fraudulent assignment" or as a "fraudulent preference," on which a petition could be presented within three months. If so, or if on any other grounds bankruptcy supervened, the right to the book debts would pass to the trustee in bankruptcy under the "possession, order, and disposition" clause of the Bankruptcy Act, 1883, unless before the commencement of the bankruptcy the assignee had taken them out of such "possession, &c.," of the bankrupt by giving notice of the assignment to the various debtors. —Our Legal Contributor.]

Revenue: Depreciation.

(*To the Editor of the Accountant.*)

Sir,—The suggestions made by your correspondent, Mr. J. B. Smith, of Melbourne, are, in my opinion, well-timed, especially "that the Councils of accountancy "bodies should watch for forms of account issuing from "the Legislature and from Government Departments, "so as possibly to prevent such forms as may not be "in accordance with the principles of accountancy "from being issued to the public generally." It is well known that the requirements of the various municipal and sanitary laws of England greatly err in this respect—the requirement being for "receipts and expenditure" accounts, whereas it should be "income and expenditure" accounts, or "receipts and payments" accounts.

Depreciation.—Similarly, with respect to the excellent lecture by Professor Dicksee, Parliamentary draughtsmen need technical guidance. Is it at all likely that Parliament will compel municipalities to provide both a Depreciation and a Sinking Fund, as there is no doubt that at the time it was started the latter was intended to include the former? In my opinion, what we should try to get is a depreciation sufficient to provide the necessary Sinking Fund, and include in it a reserve for obsolescence. Since 1900 this method has been adopted by the Bolton Corporation, as their accounts show, and several other boroughs have followed in the wake of Bolton.

To clearly understand Professor Dicksee, it is necessary to come from the general to the individual, and though he disclaims criticising or discussing in any way the financial policy pursued by any local authority, can we arrive at his exact meaning and recommendation unless we understand his definitions? As the pioneer amongst municipalities on this question, may I therefore ask Professor Dicksee what further *reliable data* he would consider necessary in addition to that given in the Bolton Electricity Accounts? Is not the statement he makes rather sweeping? He says "I trust that this important point, the *entir-*

"*absence* from published accounts of such reliable "data as will enable competent persons to form a "correct impression as to the financial position. . . ." Is it possible that Parliament could be got to legalise and enforce Professor Dicksee's suggestions, unless the recommendation of Professor S. H. Turner was also adopted requiring a full Depreciation, and the Sinking Fund period being extended to eighty or one hundred years for all classes of work. It must not be forgotten that, while we are discussing the matter, the municipal debt of England is being rapidly repaid, and that, in twenty or thirty years, more than two-thirds of the debt will be wiped-out or provided for. I only hope that the Departmental Committee appointed by the President of the Local Government Board to consider Local Authorities' Accounts generally will prove themselves to be sufficiently expert to deal with this question on thoroughly practical lines.

Yours faithfully,

Town Hall, Bolton. GEO. SWAINSON.

17th April 1907.

Company Profits and Goodwill.

(*To the Editor of The Accountant.*)

SIR,—"A.," a journalist, starts a monthly periodical on 1st January 1905, and after publishing two numbers gets into financial difficulties, and induces B. to give him £100 for a half-share in the paper, A. and B. sharing as from 1st March 1905. The paper is continued at a loss of £100 per month, and B. pays in additional amounts as required to keep the business going. On 30th June 1905 a private limited liability company (subject to Table A) is formed to take over the paper as from 1st March. A. and B. receive 250 shares each as fully paid for the goodwill of the paper, and additional shares are allotted to B. for the amounts advanced by him between 1st March and 30th June. During the next six months a loss of £200 is incurred, making a total loss of £600 from 1st March to 31st December 1905, at which date accounts are prepared. What will be the amounts stated in the Balance Sheet for Goodwill and Profit and Loss Account respectively?

Another account is prepared for the year ending 31st December 1906, when it is found that the paper has made a profit of £300; is this available for dividend?

Yours faithfully,

April 22nd 1907. NEWSPAPER.

Depreciation.

(*To the Editor of The Accountant.*)

SIR,—For a long period your valuable journal was alone in urging the profound importance of this subject. It is gratifying to note the recognition of these views increase in volume and force as time passes—in this respect also confirming your prophetic notices years ago.

Many systems and variations of systems have been proposed, illustrated, and enforced in the pages of *The Accountant* and elsewhere, from time to time, with more or less ability.

They nearly all, however, have the fatal error that whilst endeavouring to avoid the *Scylla* of insufficient, irregular, or even no depreciation allowance, they fall into the equally dangerous *Charybdis* of fixing rates which are to hold good for a long period of years—even to the extent of an imaginary useful lifetime of the items thus depreciated!

With much of the able paper by P. D. Leake, Esq., reported so fully in your issue of last week, I am in cordial agreement, but he, like most accountants, falls into the error of supposing he, or someone else, can fix a rate of depreciation which shall be regular. It cannot be too strongly stated that a permanent rate of depreciation is an impossibility. The same rate adopted for two precisely similar plants in the same district or town may be altogether wrong—even when owned by the same firm or company. It depends altogether upon the upkeep.

Now, this being an indisputable fact, the question follows, Who is to fix the rate of depreciation, and how is this to be ascertained? With every respect to accountants, I assert that *they* are not the right persons to do this. They cannot possibly have the technical knowledge necessary to judge the condition of machinery, upkeep, obsolescence; whether costs have been unduly high, and other causes of depreciation. Neither is it fair to themselves that they should be saddled with such a responsibility.

It is also undesirable that either managers or directors should undertake the onerous duty of fixing the rates of depreciation. Frequently directors do not possess sufficient practical knowledge to enable them to do it; and even when they are thus equipped, they can hardly be expected to spend sufficient time to make the necessary examinations, especially in concerns of an extensive nature. It then falls upon the manager, who naturally does not care to confess the upkeep or

maintenance has been inadequate, which fixing a liberal rate for depreciation would imply.

The only method of arriving at a reliable rate of depreciation is by having an annual inspection made by an independent and reliable expert, who shall certify from actual examination and personal knowledge. It may be argued that the cost of this is prohibitive, but this is a mistake. Hosts of well-known firms have adopted it. It is certainly a crying necessity for municipal undertakings—in many of which vast sums have been frittered away by unnecessary costs, experimental work, and other directions (most of which appear in Capital Account) which an independent valuer would strike out and put them on a sound commercial basis.

In the foregoing comments I have confined myself to Depreciation. The subject of a Sinking Fund, being altogether different, and purely a matter of account, must be dealt with by accountants.

I am, yours obediently,

HY. SHERLEY PRICE.

Accountants Practising Abroad.

(To the Editor of The Accountant.)

SIR,—I should feel obliged if you could give me some information on the following point.

As you are aware, there are year after year a quantity of English Chartered Accountants who go out to the Colonies to practise their profession. So far as I know, no restriction is placed upon them any more than if they stayed at home.

If a member of one of the Institutes of Colonial Chartered Accountants came to England to practise, would he be allowed to use his designation in the same manner as the English Chartered Accountants do who go out to the Colonies?

Yours truly,

April 22nd 1907. CURIOUS.

German Company Law.

(To the Editor of The Accountant.)

SIR,—There is no audit in addition to that by the Audit Committee of German companies, which, I am told, is generally a farce, limited to counting the cash and adding up the Cash Book monthly.

London, April 23rd 1907. J. A. HEATON.

Depreciation, with Special Reference to the Accounts of Local Authorities.

(To the Editor of The Accountant.)

SIR,—With reference to the letter from your correspondent "Depreciation," which appeared in your last issue, I do not know that any useful purpose would be served by my attempting to "reconcile" the statement quoted, which I made four years ago, with that to be found in my recent lecture upon the above subject.

I may point out, however, that while it appears to have been the custom of the Local Government Board to sanction Loans for renewals where the repayment of the original Loan had already been provided for (a course of procedure which involves a permanent indebtedness on the part of the Local Authority, although each individual Loan is not permanent), yet there is, so far as I am aware, nothing to prevent a Local Authority —if it thinks fit—from providing for the cost of renewals out of Revenue, the effect of which will be to enable it to "gradually acquire the undertaking as its own, free of debt." The increasing difficulties placed by the Local Government Board in the way of granting Loans for renewal purposes seem to show that it is (at all events for the time being) part of the policy of that Department to endeavour to establish the finances of Local Authorities upon this basis.

My recent lecture, however, aimed at describing not what I consider to be the ideal financial policy for such an Authority, but rather the inevitable consequences of regarding the provision of the statutory Sinking Fund as taking the place of, and as being equivalent to, due provision for the Depreciation of wasting assets.

If your correspondent would disclose his identity, it might be possible to surmise the point of view from which he approaches the matter, in which event possibly I might be able to deal more adequately with his precise difficulties.

Yours truly,

LAWRENCE R. DICKSEE.

22nd April 1907.

Gross Profit.

(To the Editor of The Accountant.)

SIR,—I shall be glad if you, or any of your readers, can tell me what is considered to be a reasonable gross profit per cent. for a provincial retail butcher (English).

Yours faithfully,

April 20th 1907. X. Y.

[It varies greatly from time to time: Probably 20 per cent. would be a fair average.—ED. *Acct.*]

The Chartered Accountants' Golf Club.

THE result of the match on the 17th inst. against the Solicitors' Golfing Society, played on the Mid-Surrey course, was as follows:—

Accountants.		*Solicitors.*	
1. T. G. Mellors (3 & 2)	1	C. Plummer	½
2. V. Manley (2 & 1) ..	1½	E. R. Devonshire ..	0
3. J. G. Fowler	0	C. M. Smith	0
4. A. R. King Farlow (1 up)	1	L. W. Webster	0
5. J. W. Barber	0	J. D. Sykes	0
6. H. Kidson, Jr. (2 & 1)	1	W. W. Bury	½
7. H. F. Turner	0	P. M. Johnson (4 & 3)..	1½
8. W. F. Mapleston (1 up)	1	H. Mossop	0
	5½		1¾

The Accountants won by 3½ points, one point counted for the match and ½ for the bye.

Leicester Chartered Accountants Students' Society.

THE first dinner in connection with the Leicester Chartered Accountants Students' Society was held at the Grand Hotel, Leicester, on Wednesday, April 17th, at 7 p.m.; Mr. A. P. Carryer, A.C.A. (President), was in the chair.

There were also present—Messrs. H. W. Wilshere, F.C.A., J. A. Hopps, F C.A., J. H. Baker, A.C.A., G. S. Bankart, A.C.A., E. Huntsman (Nottingham), C. H. Spencer, A.C.A., D. M. Gimson, A.C.A., E. Bland, A.C.A., L. V. Wykes, A.C.A., C. Heywood (Nottingham), C. H. Bolton, A.C.A., W. S. Bell, H. F. Adams, R. H. Hardy, J. Curtis, F. S. Heath, H. H. Smith, S. T. Skillington, E. Lewis, A. D. Wykes, S. Allen, H. V. Watson, A. W. Day, E H. Nickson, G. G. Steeds, H. Pateman, B. F. Newell, H. W. Neep.

After the dinner the Chairman gave the toast of "The King," which was loyally responded to.

Mr. Hardy, in a neat speech, proposed the toast of "The Institute and Senior Society," which was ably responded to by Messrs. H. W. Wilshere, F.C.A., and J. A. Hopps, F.C.A. Other toasts were "The Students' Society," proposed by Messrs. J. H. Baker, A.C.A., and D. M. Gimson, A.C.A., responded to by Mr. A. D. Wykes; "Our Guests," proposed by Mr. E. Lewis, responded to by Mr. E. Huntsman (Nottingham); "The Chairman," proposed by Mr. J. Curtis.

Mr. Carryer replied to this toast, and among other things he impressed upon the students the necessity for accountants to obtain and maintain a high moral standard.

Some solos and quartettes were admirably rendered by the members of the Leicester Amateur Quartette, after which an enjoyable evening was brought to a close by the singing of the National Anthem.

Sheffield Society of Chartered Accountants.

Annual Dinner.

THE annual dinner of the above Society was held at the Royal Victoria Hotel on the 19th inst. The President (Mr. F. H. Metcalfe) occupied the chair, and was supported by the Lord Mayor (Ald. Styring), the President of the Institute of Chartered Accountants (Mr. W. B. Peat), the Hon. G. Colville (Secretary of the Institute), Mr. J. Dixon (President of the Chamber of Commerce), Mr. Howard Heaton (President of the Birmingham Society), Mr. J. Binney, Messrs. T. C. Parkin (Vice-President of the Sheffield Society), J. W. Barber, A. D. Barber, E. Bramley, N. W. Burbidge, J. W. Best, E. Bennett, W. H. Camm, B. C. Davies, N. H. Deakin, F. E. Foster, S. Taylor Gill, H. S. Gardner, W. Holmes, A. W. Macredie, J. M. Moulson, C. Simpson, John Wortley, H. Wells-Smith, F. H. Smith, H. E. Percy Beard (Hon. Secretary), W. B. Esam, E. G. Wragg, E. Beckett, J. P. Russell, W. W. Camm, H. E. Roe, W. J. Furnival, H. Atkins, Ald. Wheatley, Dr. Davidson, A. Truelove, J. F. Pickering, A. J. Blanchard, A. C. Davy, A. G. M. Jack, W. H. Dixon, F. Rickett, A. S. Fawcett, A. S. Burrows, J. G. Richardson.

After the loyal toasts,

Mr. J. W. Best proposed the health of the President in complimentary terms, and then alluded to the desire of the profession for statutory recognition: The Council of the Institute, he proceeded to say, had shown a lack of enthusiasm with regard to legislation. The matter ought to be taken in hand without delay. They did not want to abolish the present distinctions, or to do an injustice to anybody, but they wished to close the doors to all except competent accountants in the future, having regard to the interests of all who could now claim to be public accountants.

The President acknowledged the compliment.

Mr. T. C. Parkin proposed the toast, the "Lord Mayor and Corporation and the Trade of the City of Sheffield." Having referred to the ability of the city's Lord Mayor, Mr. Parkin said that the Council was composed of a body of men who compared with any gentlemen holding similar positions in any city in the country, and that whatever were their professions or politics there was only one thing that animated the whole of them when in the Council, and that was to work for the good and the welfare of the city of Sheffield. (Applause.)

The Lord Mayor, in the course of the response, remarked that the Corporation had much in common with such an Association, for if it did one thing properly it was to see that its accounts were audited properly. With regard to the proposal that the accounts should be audited by the

Local Government Board, he viewed it with the gravest suspicion, for the quarter from where these suggestions came showed clearly that some people were anxious to clip the Corporation's wings in regard to municipal undertakings. There was a good deal of jealousy at the success of municipal undertakings during the past few years, and he could quite understand why they would like to hinder this kind of thing by putting their accounts directly under the Local Government Board. He had seen a good deal of the Local Government Board, and that was the reason he regarded more Local Government Board audit with suspicion. He had not a single word to say with regard to the suggestion that the accounts should be audited by professional men. (Applause.) The Corporation was perfectly ready for the fullest investigation of their accounts to be made, if a professional audit were instituted. (Applause.)

Mr. Dixon, President of the Sheffield Chamber of Commerce, whose name was also coupled with the toast, made some interesting remarks in regard to the Sheffield trade. As had been said, although the heavy trades were so prosperous the lighter trades which had made Sheffield so famous, and had built up a reputation for hundreds of years, were not enjoying the same prosperity. It was a difficult question, but he thought there were three elements in the problem. Either the workmen were not doing their duty; or was it that the employers were not sufficiently enterprising, or that the conditions were not satisfactory. With regard to the workmen he thought that they were, to some extent, to blame. He did not think they had been sufficiently far-seeing in bringing forward a sufficient number of apprentices and training them in the highly skilled handicraft which the trade required. He was sure it was not the employers, for a more enterprising go-ahead class of men did not exist anywhere. Sheffield was not lacking in enterprise, capital, or in being up to date. He did not think that the conditions were sufficiently good. The good name of Sheffield was being filched all over, and it was for them to stand up and prevent it so far as it was possible. In conclusion he said he thought all accounts should be certified, whether they were limited liability companies or not.

Mr. W. Holmes proposed the "Sheffield District Incorporated Law Society," and paid highly complimentary tribute to the profession, and acknowledged the assistance always rendered Chartered Accountants by the legal gentlemen.

Mr. E. Bramley responded with a capital after-dinner speech, and caused several ripples of laughter.

Mr. J. Binney proposed the toast of the "Institute of Chartered Accountants in England and Wales." He spoke of the antiquity of the profession of accountants. His researches had led him to believe that there were accountants in Ancient Egypt. (Laughter.) Certainly there were accountants in Italy during the 14th and 15th centuries. He referred to the progress made during recent years by the Institute, and the valuable work it had done during that time. He was of the opinion that accountants should have proper statutory recognition.

Mr. W. B. Peat, President of the Institute, responded and dealt with the increase in the membership. Since the Institute was established, when the charter was granted nearly 26 years ago, there were 500 members, but now there were 3,662. (Applause.) Last year was a record in regard to the number of new members, no fewer than 230 joining. Not merely was work provided for all at home, but members had left the country, and were to be found in every part of the world. Mr. Peat entered into detail in regard to Mr. Best's suggestion that the Council was slow in looking after legislation affecting the profession, to show that the Council was keenly alive. He could assure them that the Council was not merely looking after their interests, but the interests of the profession and public. They needed legislation not merely on account of the profession, but also on behalf of the public. He warned them not to endeavour to secure legislation merely for their Institute. They might say that 99 per cent. of the business was in their hands, but that did not matter. They would have to go hand in hand with the Incorporated Accountants, and everyone who could reasonably claim to be described as professional accountants. He thought it would be a foolish policy if they asked that they alone should be recognised as professional accountants. They must take the broadest, widest, and most unselfish view of the situation possible. The speaker appealed for a registration for the profession, and expressed his surprise at Sheffield not passing a resolution in favour of it. Liverpool, Manchester, Birmingham, and, he believed, Bristol and Leeds had all passed the resolution.

The toast of the "Kindred Societies" was proposed by Mr. J. W. Barber, and acknowledged by Mr. Howard Heaton.

Mr. S. Taylor Gill proposed the "Visitors," and Ald. Wheatley responded, and incidentally warmly supported the idea that Corporation Accounts should be audited by professional accountants.

A vote of thanks to the Chairman, moved by Ald. Wheatley, concluded the toast list.

The Association of Scottish Chartered Accountants in London.

Annual Dinner.

THE eighth annual dinner of this Association was held in the Balmoral Room, Trocadero Restaurant, Piccadilly Circus, W., on Monday, April 22nd. The President of the Association (Mr. Robertson Lawson) occupied the chair

and he was supported by Mr. J. A. Robertson-Durham, President of the Society of Chartered Accountants in Edinburgh; Mr. W. B. Peat and Mr. John B. Ball, President and Vice-President of the Institute of Chartered Accountants in England and Wales; the Archdeacon of London, Mr. E. A. Harney, K.C., Mr. J. H. W. Rolland, Mr. F. W. Pixley, Mr. T. P. Laird, Mr. Thomas Aitken, Mr. D. C. Haldeman, Mr. David F. Park, and the Hon. George Colville. Amongst the general company, which numbered about eighty, were Mr. George A. Touche, Mr. Andrew Williamson, Mr. J. Bruce Williamson, Mr. R. W. Jeans, Mr. C. Carnaby Harrower, Mr. J. A. H. Macnair, Sir W. P. Manning, Mr. Frederick Walker, Mr. Stanley M. Bruce, Mr. A. O. Miles, Mr. W. Sandford Poole, Mr. J. Y. W. MacAlister, Mr. A. Dodds Fairbairn, Mr. A. W. Tait, Mr. W. F. Scott Armstrong, Mr. Geo. Addison Scott, Mr. D. Stuart Paton, Mr. E. Lawrence MacKillop, Dr. I. Brown, Mr. John Abernethy, Mr. W. Weddel, Mr. W. Lochhead, Mr. Alex Nisbet, Mr. W. J. Hill, Dr. J. M. H. MacLeod, Mr. S. Douglas Thomson, Mr. I. H. Fraser, Mr. Edwyn A. Kemp, Mr. J. Ferguson, Mr. George Wilson, Mr. Graham Peel, Mr. Thomas Morton, Mr. E. G. Thorne, Mr. H. Arkell Smith, Mr. A. J. Barber, Mr. George Struthers, &c.

The toast list included "The King," which was submitted by the Chairman, and "The Guests," which was proposed by Mr. George A. Touche in a very humorous speech. Mr. Harrison Hill contributed several amusing musical sketches, and Mr. J. Campbell McInnes gave one or two Scotch songs, which were highly appreciated.

Mr. George A. Touche, in proposing the toast of "The Guests," said that the original intention had been that there should be no speeches, but the Chairman felt that it would be foreign to the traditions of Scottish hospitality if they were to allow their guests to go away without proposing this toast. On going home that evening he found a book on his table called Pannell's Reference Book, accompanied by an intimation from the publisher that it had been subscribed for by a large number of distinguished people, and that a book canvasser would call in a few days, either to collect the price of 6s. 6d. or to take away the book. Glancing through it to see whether it was likely to be worth 6s. 6d. to a Scotchman, he was delighted to come upon "Hints on Public Speaking," with suggestions as to how to propose a toast. Just having received the Chairman's message asking him to propose this toast, he regarded this as a providential intervention. The first point which he gathered was that, in proposing anyone's health, it was not always desirable to say all you knew about him. (Laughter.) Passing from the general to the particular, the book indicated that, when speaking of a self-made man, it was not desirable to say, however true it might be, that, by dint of his own industry and capacity, he had raised himself to his present position from the very dregs of society. (Laughter.) At this point he came to the conclusion that the book contained no hints which would be useful to him for the purpose of this gathering. If he were asked what quality in the distinguished guests who were present that evening he admired most, he would say it was that of courage, and he proceeded to point out the dietetic dangers of a Scottish dinner. If it wanted courage to dine with Scotchmen, it wanted perhaps even more courage to dine with Chartered Accountants. There was a general misconception as to the functions of Chartered Accountants. An otherwise well-informed man had told him, the other day, that the chief business of Chartered Accountants was to wind people up—a process which he seemingly regarded as something akin to the flaying alive of Saint Bartholomew. Nor was this, apparently, the only danger that arose from association with accountants, for a friend had sent him a cutting from a newspaper, which he now had pleasure in handing to the Chairman. It was the heading of a paragraph, reading:—"Gentleman Burglar: Accountant by Day; Thief by Night. Four Sweethearts." He assured the gentlemen present that the paragraph did not relate to any member of the Association of Scottish Chartered Accountants in London. (Laughter.) Whatever considerations had persuaded their guests to brave the dangers he had indicated, they all united in giving them a most hearty welcome. Glancing round the room, he saw on the right of the Chairman Mr. Robertson-Durham, the President of the Society of Chartered Accountants in Edinburgh, the oldest of all the Chartered Societies. He recognised in Mr. Robertson-Durham not only his professional chief, but also his military chief. Mr. Robertson-Durham's presence recalled the time, now more than a quarter of a century ago, when, as a private in No. 6 Company (the Accountants' Company) Queen's Edinburgh Rifle Volunteer Brigade, he followed Mr. Robertson-Durham to victory in a well-fought sham fight on the slopes of Arthur's Seat. (Laughter.) His achievements on that occasion had not yet received any recognition from the War Office. Mr. Robertson-Durham had succeeded, as President of the Edinburgh Society, one of the most popular Presidents any Society ever had. He referred to Mr. Frederick Carter. (Hear, hear.) They esteemed themselves fortunate in having secured Mr. Robertson-Durham as Mr. Carter's successor, for they all felt that, in his hands, the honour and dignity and the interests of their profession would always be safely upheld. (Cheers.) On the left of the Chairman he saw the Archdeacon of London, and he was sure all present would agree with him that no Scottish gathering in London would be considered com-

plete or wholly successful unless it was graced by the genial presence of Archdeacon Sinclair. (Hear, hear.) He was particularly glad that they numbered amongst their guests several distinguished members of the Institute of Chartered Accountants in England and Wales. He noted the presence of Mr. Peat, its President, and Mr. Ball, its Vice-President. If one wished to know about a man the best way was to find out how he was regarded by the members of the profession to which he belonged. The fact that Mr. Peat and Mr. Ball had been appointed to the high offices which they now filled was the most conclusive evidence of the high esteem in which they were universally and deservedly held. He was glad also to see present with them Mr. Pixley, an ex-President and a gentleman who had done much for the profession of accountancy, and Mr. Colville, the popular Secretary of the Institute. They of the Scottish Chartered Societies, in their pride of birth, were perhaps accustomed to regard the English Institute as a younger brother; but the younger brother had grown to such vast proportions that the older Societies were now mere pigmies beside it. He now regarded the English Institute as the most important and powerful factor in the modern profession of accountancy. He was glad to say that the relations between the Scottish Societies and the English Institute had always been of the most friendly character. He thought they always would be so. Their ideals were the same. Of rivalry between them there was none, unless it lay in a healthy eagerness to uphold the high status of their profession. To those who would speak of any other kind of rivalry he would say that, in professional life, ability, capacity, and qualification need fear no rivalry, and would always come to the top. (Cheers.) Other important interests besides those of accountancy were represented by their guests. Banking was particularly strong, which was only right; for it was a fundamental principle of sound accountancy to keep on good terms with one's bankers. (Laughter and cheers.) They had with them that evening Mr. Thomas Aitken, manager of the Bank of Scotland in London; Mr. John Cragg, manager of the Clydesdale Bank; Mr. Jeans, of the Bank of Australasia; and Mr. Arkell Smith, of the National Bank of Australasia. All these gentlemen were distinguished in their own walk in life. Not one of them had ever been known to turn a hungry borrower away empty who had liquid security for sixty shillings in the pound. (Laughter.) Insurance was often closely related to accountancy, especially on its actuarial side; and it, also, was represented amongst their guests. He took this opportunity of extending to Mr. Haldeman, the hero of a recent Titanic struggle, his congratulations on the success which had accompanied his efforts on behalf of British policy-holders. Law in the city was represented by his friend Mr. Frederick Walker, amongst others—a gentleman who had earned for himself a reputation second to none for courage, capacity, and resourcefulness, and who, on many occasions, had proved that he was as loyal a friend as he was formidable as a foe. (Hear, hear.) Finance could not be better represented than it was by Mr. Sandford Poole, who, in his opinion, possessed the best nose for a good security of any man in London. It was gratifying, at a time when the minds and imaginations of men were stirred by the presence of the Colonial Premiers in their midst, that they had with them several influential guests from the British Dominions beyond the seas. Among these he would name Sir William Manning, the most distinguished member of the accountancy profession in Sydney; Mr. E. A. Harney, K.C., one of the most brilliant of Australian lawyers; and Mr. Stanley Melbourne Bruce, associated with one of the most respected Australian commercial houses, and himself a member of the English Bar. It was only fitting that, in what he might call their Colonial year, when the Government were manifesting such an intense desire for closer relations with the Colonies, that the toast of "The Guests" should be associated with the name of a Colonial visitor. By a happy inspiration, their Chairman had asked him to associate this toast with the name of Mr. Harney. Mr. Harney had a twofold claim to be regarded as a Colonial guest. In the first place, he was a brilliant Irishman, and they knew that a number of people (he would not say whether they were many or few) were of opinion that Ireland should be regarded as a self-governing colony. Mr. Harney had also been a member of the Senate of the Australian Commonwealth, and Attorney-General for Western Australia, where he had a distinguished career at the Bar. He had now left that land of sunshine and of gold, and had come to this foggy island in order to practise at the English Bar, with designs on the Woolsack. (Cheers.) His friends, many of whom were also the friends of the speaker, told him that Mr. Harney possessed all the qualifications necessary to adorn the highest legal position which England had to offer.

Mr. E. A. Harney, K.C., expressed the pleasure which he felt at being present, and assured the members that the visitors had thoroughly enjoyed the hospitality of the Association.

Mr. J. A. Robertson-Durham also thanked the members of the Association for the honour they had done him in inviting him to be present that evening. The Society of Accountants in Edinburgh, of which he had the honour of being President, was the oldest Society of Chartered Accountants in the world, and since 1853 it had been doing its best to improve the profession. He knew that much still remained to be done in the way of improvement, and those in the North would not be behind in leading the van in th

direction. They had now got an Examining Board for the whole of Scotland, and no man could be a Chartered Accountant without having passed the highest standard of examination. At present they had a preliminary examination, and schoolmasters were employed for this purpose, but during his term of office he hoped to do away with this examination, and to insist that every candidate for membership of their body should pass the preliminary or entrance examination of one of our Universities. (Applause.) If they did that he thought they would still further raise the standard of the profession. They were determined that they would not allow any man to come to England, or to any other country, until they certified him as competent for the work he had to perform. He was glad to find himself amongst friends that evening. He happened to be sitting next to the President of the Institute of Chartered Accountants in England and Wales, and after a few words of conversation he discovered that that gentleman was not an Englishman, but a Scotchman. (Laughter and cheers.) There was also present a gentleman who passed his examination on the same day as he (the speaker) did at the end of 1869, and also one of the three members elected to their body at the first meeting in January 1870. At the meeting at which he was appointed President of the Edinburgh Society, the other gentleman who passed his examination at the same time as himself was present. In the North the somewhat bad practice prevailed of appointing their President for three years, and the result was that very few men could attain that position. He considered that it was their duty to back up the Scottish Chartered Accountants in London on every possible occasion, because, although they were in the metropolis, he felt that they were still part of their own body.

The proceedings concluded with the singing of "Auld Lang Syne."

Leicester Society of Chartered Accountants.

The sixth annual meeting of the Society was held at Winchester House, 1 Welford Road, Leicester, on 19th April 1907. The President of the Society (Mr. H. W. Wilshere, F.C.A.) occupied the chair, and the following members were also present: Messrs. J. H. Baker, F. W. Boothroyd, A. P. Carryer, D. M. Gimson, A. E. Warburton, A. B. Wykes, L. V. Wykes.

The following are the

REPORT AND ACCOUNTS.

The Council beg to present their sixth annual report.

The number of members on the roll of the Society at the 31st December 1906 was 32. This is a decrease of two as compared with last year, two members having resigned during the year.

The fifth annual meeting of the Society was held on the 30th March 1906 at 1 Welford Road. After the meeting the members dined together at the Leicestershire Club.

The following members of the Council retire in accordance with Rule 23, and are not eligible for re-election this year:—Mr. A. H. Hampson, Mr. A. B. Wykes.

During the year a prize of books from the Institute was presented by your Council to Mr. P. R. Wykes, who was placed first in order of merit at the Preliminary Examination held in June.

The Hon. Treasurer's Statement of Accounts for the year ending 31st December 1906 (duly audited) is appended hereto.

H. W. Wilshere,
President of the Council.

1 Welford Road, Leicester.
10th March 1907.

Dr. Balance Sheet at 31st December 1906. *Cr.*

Liabilities.	£ s d	£ s d
To Accumulated Fund, as at 31st December 1905..	111 1 0	
Add Excess of Income over Expenditure for the year 1906..	3 0 6	
		114 1 6
		£114 1 6

Assets.	£ s d	£ s d
By Cash at Bank..		42 9 10
" Library Books—as at 31st December 1905 ..	47 0 0	
Additions..	3 13 4	
	50 13 4	
Less Depreciation at 20%	10 13 4	
		40 0 0
" Library Furniture—as at 31st December 1905	27 0 0	
Less Depreciation at 10%	3 0 0	
		24 0 0
" Institute Grant for 1906		7 11 8
		£114 1 6

Auditor's Certificate.—Audited and found correct.

February 22nd 1907. F. W. Preston, A.C.A.

Dr. REVENUE ACCOUNT for the year ending 31st December 1906. *Cr.*

	£ s d	£ s d
To Library Rent and Expenses		11 0 0
" Printing, Stationery, and Sundries		4 9 10
" Grant to Students' Society		10 0 0
" Depreciation on Library :—		
Books at 20%	10 13 4	
Furniture at 10%	3 0 0	
		13 13 4
" Cost of Annual Dinner		4 0 0
" Balance—Excess of Income over Expenditure, carried to the Accumulated Fund ..		3 0 6
		£46 3 8

	£ s d
By Members' Subscriptions	33 12 0
" Institute Grant for Library	7 11 8
" Students' Society for use of Library	5 0 0
	£46 3 8

The Report of the Council and the Hon. Secretary and Treasurer's Accounts, as audited, were adopted.

The following officers of the Society were elected for the ensuing year.

President: Mr. A. P. Carryer, A.C.A.

Vice-President: Mr. G. S. Bankart, A.C.A.

Ordinary Members of the Council: Messrs. J. Cherry, F.C.A., A. J. Halford, A.C.A., C. H. Spencer, A.C.A., H. W. Wilshere, F.C.A.

Hon Secretary and Treasurer: Mr. D. M. Gimson, A C.A.

Hon. Auditor: Mr. F. W. Preston, A.C.A.

Hon Librarian: Mr. S. R. Wilby, A.C.A.

The meeting closed with a vote of thanks to the retiring President (Mr. H. W. Wilshere) and the Hon. Secretary.

The Institute of Bankers.

Bank Balance Sheets.

By R. H. INGLIS PALGRAVE, Esq., F.R.S., a Vice-President of the Institute.

Delivered before the Institute on Wednesday, February 13th 1907, the President, J. Spencer Phillips, Esq., in the chair.

(Reprinted from the *Journal of the Institute of Bankers* by kind permission of the Institute.)

THE Institute of Bankers has recently had the advantage of a very interesting address from our President, Mr. J. Spencer Phillips, followed by one from Sir Felix Schuster. Both of these addresses dealt with the present position of banking, the advisability of some alterations in method and of additions to the specie reserve. On this last point we are, I believe with scarcely an exception, thoroughly agreed. There are many reasons which render a reconsideration of the whole subject of the reserves advisable at the present time. Among these there are several domestic reasons, as I may call them, as the course of the foreign trade of the country, the growth of the deposits in the banks, and the increase in the number and importance of bank offices. There are also many reasons external to this country such as the increasing wealth and banking power of other countries, and the greater number of nations which employ a gold standard. All these circumstances cause the demands for currency and general business purposes to become more urgent and heavier, and the need for an increased specie reserve to be greater.

It will be an assistance to us in considering this to have a statement of the amount of the reserve of the Bank of England in averages of ten years from 1845 to 1904 before us.

* RESERVE OF THE BANK OF ENGLAND.

Averages for the Ten Years 1845–54, 1855–64, 1865–74, 1875–84, 1885–94, 1895–1904,

Years	Ten Yearly Averages	Proportion per cent. of each group of years to 1845–54
	£	
1845–54	9,211,255	*100*
1855–64	8,487,116	*92*
1865–74	11,177,150	*121*
1875–84	13,669,000	*146*
1885–94	15,480,000	*168*
1895–1904.. ..	25,180,000	*273*

* Figures up to 1900 taken from "Bank Rate and the Money Market," pp. 82, 83. R. H. Inglis Palgrave.

To this I have added the averages of the balances of the London bankers kept with the Bank of England for the corresponding periods as far as I can trace them. The latest date I can give is the year 1877. The particulars have not been published later. It is much to be desired that they should be.

† LONDON BANKERS' BALANCES WITH THE BANK OF ENGLAND.

Averages for the Decennial Periods, 1845–54, 1855–64, 1865–74, and for the Three Years 1875–77.

Years	Ten Yearly Averages	Proportion per cent. of each group of years to 1845–54
	£	
1845–54	2,023,000	*100*
1855–64	4,139,000	*205*
1865–74	7,081,000	*350*
1875–77	10,572,000	*623*

"Bank Rate and the Money Market," p. 35. R. H. Inglis Palgrav

Our first remark will be on the considerable strengthening of the reserve of the Bank during the sixty years over which this statement extends, but it will be observed that while the reserve of the Bank of England had only increased on average one-fifth between 1845 and 1874, the bankers' balances with the Bank of England had increased to an amount three and a-half times as large during the same period, and later on, from 1875 to 1877, much more rapidly Had the statement been continued to the present time, I feel certain that the increase of the bankers' balances would have been shown to be far larger in proportion than that of the Bank reserve since 1877.

These figures will show, though necessarily imperfectly, that some preparations have been made to meet existing requirements.

Into such matters as these we cannot go further at the present time. But while these larger causes have to be remembered, the subject of the reserves connects itself very closely with some of the details in the business, and when I was asked by your President to call your attention again to this part of the subject I had great pleasure in doing so. A great deal may be said on the question of Balance Sheets which he has asked me to discuss. The subject appears at first sight quite elementary, but it is capable of a great deal of development, it is closely connected with the wider questions of reserves, and also with the maintenance of a good system of banking.

Our first point is—

The Object for which a Balance Sheet is prepared.

As to this there can be no doubt. The object is to place before the banker himself, his shareholders, customers, and the public generally, an exact and accurate description of the position of the bank, what it possesses, what it owes, and what preparation is continually made to meet the demands which may come on at any time. I have named the banker first, for while he naturally knows the general run of his business, he finds it a continual advantage to be reminded how matters are going on. I may quote in this connection the motto of my old friend, Mr. George Rae, "Let your device as a banker be that of a strong man armed, and your motto, 'Aye, Ready.'" The first object, therefore, in preparing a Balance Sheet is to be careful that it gives an exact and true statement of the position of the business of the bank at the date to which it refers. It is as important and useful to the banker himself as to his shareholders and customers.

Monthly Statements.

In discussing this subject I must commence with the statements as to their position which at the present time twelve very considerable banks publish once a month. These are not Balance Sheets, but statements of the deposits, acceptances, cash in hand and at the Bank of England, and cash at call and notice held at the end of the month. The following is the account published at the end of last November, the latest conveniently to hand. I have added to the statement as it is published, in order to make it more clear, additional columns marked 6 and 7. In Column 6 the figures of the cash in hand, at the Bank of England, at call and notice, are added together, and Column 7 shows the proportion of these to the deposits.

BANKS' MONTHLY STATEMENTS.

Statement of the Deposits, Cash in hand, and Cash at Call and Notice shown in the Balance Sheets of the undermentioned Banks at the end of the month of November 1906.

Name of Bank	1 Deposits	2 Acceptances, &c.	3 Cash in hand and at Bank of England	4 Prop. of Col. 3 to Col. 1	5 Cash at Call and Notice	6 Cols. 3 and 5 added together	7 Prop. of Col. 6 to Col. 1
	£	£	£		£	£	
Capital and Counties	32,610,834	613,425	5,192,758	15·9	4,718,279	9,911,037	30·3
Lloyds	64,220,104	4,270,467	10,020,658	15·6	4,945,918	14,966,576	23·3
London Joint Stock	18,164,944	1,698,710	2,527,634	13·9	5,134,407	7,662,041	42·2
London and County	43,891,552	2,544,277	7,275,080	16·6	2,882,670	10,157,750	23·2
London City and Midland	51,629,538	4,743,946	9,452,834	18·3	7,648,579	17,101,413	33·2
London and South Western	13,845,374	9,926	2,101,005	15·2	934,440	3,035,445	21·9
London and Westminster	26,341,001	1,211,409	3,621,777	13·7	5,693,150	9,314,927	35·4
National	11,569,288	1,505,261	1,628,013	14·1	1,736,644	3,364,657	29·1
National Provincial	52,988,216	696,842	8,003,326	15·1	3,889,350	11,892,676	22·4
Parr's..	27,484,204	3,614,481	4,493,231	16·3	4,770,885	9,264,116	33·7
Union and Smiths..	35,363,001	3,771,725	6,154,202	17·4	7,851,640	14,005,842	39·7
Williams Deacon's	11,103,368	574,763	1,421,949	12·8	1,336,460	2,758,409	24·8
Total ..	£389,211,424	£25,255,232	£61,892,447	15·9	£51,542,422	£113,434,869	29·2

These banks commenced to publish thus after an address delivered by Lord Goschen, then Mr. Goschen, to the London Chamber of Commerce, on December 2nd 1891. The practice has been continued ever since by them, and, if I remember rightly, no alteration has been made in the number or in the form since the publication was commenced.

The twelve banks carry on business in very different districts. One confines its business entirely to London and the

suburbs, ten do business in London and the provinces, one is, strictly speaking, an Irish bank. Their average holdings of money in hand and at the Bank of England amount to 15 per cent. of their liabilities on deposits. Taking their money at call and at short notice with the money in hand and at the Bank of England, the proportion held is nearly 30 per cent. of the liabilities.

The form used in the monthly publications is only employed by the twelve banks concerned.

Though they are very important banks, they do not hold half the deposits of the banks of the United Kingdom among them. To be of real service the statement should include all the banks of the country.

I add a form in which the monthly statements might appear, which contains more information than the one now in use. Such forms are often easier to read apart from the figures which are published in them.

PROPOSED FORM FOR MONTHLY STATEMENT (to be based on Averages of the Daily or Weekly Statements).

Name of Bank	1 Deposits	2 Acceptances, &c.	3 Cash in hand	4 Balance at Bank of England	5 Cols. 3 and 4 added together	6 Proportion of Col. 5 to Col. 1	7 Cash at Call and Notice	8 Cols. 3, 4, and 7 added together	9 Proportion of Col. 8 to Col. 1

In this form the amount of cash in hand is separated from the balance at the Bank of England. If banks are willing to publish the amount of their average balances at the Bank of England, this would clear the ground greatly. I fear that this proposal may come as a shock to some, though, after all, it is not a more private matter than the amount of the cash in hand, and one or two banks do it already. Were banks willing to do this, the publication of the amount of bankers' balances with the Bank of England would be ensured.

Both our President, in his "Inaugural Address," and Sir Felix Schuster, in his paper on "Our Gold Reserves," have advocated a monthly publication of accounts. By both of them, statements, based on weekly averages, were approved. I have long desired myself that weekly or daily averages should be employed as the basis. I am glad to find that Mr. Holden is favourably inclined to this plan, with the proviso, as he suggested, that the fortnightly settlements on the Stock Exchange should become, as in New York, daily settlements. Some, like Mr. Edwin Clifton Brown, of the London and Westminster, would be willing to see the monthly statements "based on average daily or weekly balances." The average of the daily statements may prove the most convenient basis to employ. I conclude that Mr. E. C. Brown understands by the word "balances" in this connection, the amount of the balances to the credit of his customers at the close of each day. To balance the accounts of a bank daily, especially of a bank with many branches, and this is the position of almost every large bank at the present time, would be very laborious, nor is it necessary for the purpose for which these statements are intended. Into the wider questions which Mr. Holden's proposal opens out I must not enter here, but I think that a method might be found by basing the figures in the monthly statements on daily or weekly averages by which "window dressing," as stated by our President (Mr. Spencer Phillips) in his inaugural address "would be rendered more difficult, "and a real statement of what actual cash is kept would be "arrived at." The subject of "window dressing" has probably received more notice than it naturally deserves because of the application to ordinary commercial life which the phrase implies. It is needful that banks should hold liquid assets, and if they did not possess those assets in a liquid shape they could not at very short notice turn them into cash. The only way, I believe, to eradicate the practice —however it may be carried on—is to arrange matters in such a manner that it would not be worth while for any bank.

Whether a daily or a weekly statement is taken as the basis, I hope that the attention given by the Institute to this question may be followed by the publication of an improved monthly statement to extend to all the banks of the country.

We may now pass on to the last point which has to be considered—the form of the Balance Sheet.

The Form of the Balance Sheet.

The amount of capital is sometimes published under several separate heads, which do not enter into the Balance Sheet. These are:—

Authorised capital.
Subscribed capital.
Callable capital.
Reserve capital.

In the Balance Sheet liabilities are frequently entered under five or six heads:—

Paid-up capital and reserve.
Acceptances, endorsements, &c.
Deposits, current accounts, &c.
Acceptances and guarantees.
Notes (where issued).
Sundry liabilities.

On the other side there are the assets:—

Cash in hand (this should be divided between specie and notes of the Bank of England).
,, at Bank of England.
,, ,, call and short notice.
Money with other banks, including cheques not cleared.
Investments—Consols and other investments.
Bills discounted, loans, &c.
Acceptances, endorsements, &c.
Buildings.

To the general idea of a form like this there can be no objection. It is a good plan to enter the amounts of deposits separate from the amounts on current account. Some banks enter a Profit and Loss Account on the side of liabilities.

The heads mentioned supply sufficient information in most instances. Where foreign bills are dealt with it is advisable that the banks should enter the foreign bills negotiated separately. It is also desirable that the inland bills held should be divided between those that have less than three months to run and those held for a longer period, and it would be advisable to separate brokers' bills—security bills as they are sometimes denominated—from other bills, but though I am convinced this is the right course to take, I hesitate to make a suggestion which might not be generally acceptable.

The greatest differences I have noticed in entries in the Balance Sheets have been in the descriptions of the amounts held in cash at call and at short notice. Banks sometimes enter securities, such as Consols, under these heads. Consols are certainly securities of the highest character, but that does not make them "liquid" assets, which are what should be entered in that part of the Balance Sheet. A uniform system of entries under this head is very advisable, and also as to the amounts held with the Bank of England and in "actual money," meaning by money notes of the Bank of England and specie. It is very desirable that the notes of the Bank of England held by other banks should be entered separately in their Balance Sheets.

As it may be easier to decide on a form when altogether separated from figures, I add a rough draft as an example. All the headings might not be needed by every bank. Those not required might be omitted in such cases.

BANK BALANCE SHEET.

Capital Subscribed .. .. £
Reserve Fund .. ..

Dr. *Cr.*

Liabilities.	£ s d
Capital Paid-up	
Reserve Fund	
Deposits	
Current Accounts	
Acceptances and Guarantees	
Liabilities by endorsement on Foreign Bills sold	
Other Liabilities, being Interest due on Deposits, Unclaimed Dividends, &c.	
Rebate on Bills not due	
Profit and Loss	
	£

Assets.	£ s d	£ s d
Cash in hand—		
Specie		
Bank of England Notes		
Cash at Bank of England		
Money at Call and at Short Notice		
Money with other Banks, including Cheques not cleared ..		
Investments—		
Consols (held at) and other Government Stocks .. .. £		
Other Investments (to be named)		
Bills Discounted—		
Three months and under .. .. £		
Exceeding three months		
Loans and Advances		
Liabilities of Customers on Acceptances and Guarantees as per contra		
Liabilities of Customers for endorsement as per contra ..		
Bank Premises, chiefly freehold		
Other Assets, being Interest due on Investments		
		£

What Bank Balance Sheets may Show.

We may gain in some ways a clearer idea of what banking Balance Sheets mean by rendering the amounts of the different headings as the Capitals, the Deposits, and other entries, in percentages of the totals.

I give here several Balance Sheets of banks carrying on business in different parts of the country in which this method of computation is followed out. This very simple and ingenious plan was suggested and examples given by Mr. George H. Pownall, in a paper on the "Interdependence of Trade and Banking," read before the Manchester and District Bankers' Institute, 9th March 1900, and reprinted in the *Journal of the Institute of Bankers*, April 1900. By dividing the amounts in this manner we can see at a glance what the proportion of the advances made to the customers is to the deposits—that is, to the resources of the

bank. Dissecting the amounts thus, we sometimes find banks carrying on most excellent and solid businesses which nevertheless have made such heavy advances to their customers that they can hardly be said to hold a sufficient quantity of liquid assets to make them safe in case of a sudden demand. One may sometimes even come upon cases which appear to show the advisability of the amalgamation of a bank so circumstanced with another whose resources are not set fast thus. In the instances I have given the names of the banks are not mentioned, as this is not essential. The calculations are made according to the description of the entries in the Balance Sheets; it is not always quite clear what is included under each heading. The impression given by more than one of them is that a very large amount of the resources of the bank is advanced locally. Those who make the advances have thus the best opportunity of knowing that the advances are sound.

As mentioned above, in the examples which follow the amounts are stated as percentages of the totals. The arranging them thus enables us to concentrate our attention on the meaning of the details.

No. 1.—Bank Balance Sheets.
In Percentages of the Totals.

Liabilities		*Assets*	
Capital	9·73	Bills of Exchange and Promissory Notes	12·67
Reserve Fund	8·28	Cash in hand, at Bank of England, and at Agents ..	8·38
Due on Deposit, Current and other Accounts ..	81·99	Consols and other Imperial Govt. Stocks, Colonial and Indian Govt. Bonds, &c...	14·90
		Freehold Properties.. ..	·58
		Bank Premises, Head Office and Branches, Furniture, &c.	3·77
		Loans on Security and Advances on Current and other Accounts	59·70
	100·00		100·00

No. 2.

Capital Subscribed .. .. 54·6
Dr. Reserve Fund .. .. .. 8·03 *Cr.*

Liabilities		*Assets*	
Capital, 56·2. Subscribed Capital, 54·6.		Cash on hand and with London and other Bankers	8·99
Paid-up Capital	16·38	Bills of Exchange on hand..	12·00
Reserve Fund	8·03	Investments	10·23
Own Notes in Circulation..	·56	Freehold and Leasehold Properties	1·05
Deposits and Credit Balances	72·89	Special Mortgages and Loans on Securities ..	10·57
Rebate of Discount on Bills	·09	Advances on Current Accounts	55·51
Acceptances on Account of Customers	·82	Acceptances as per contra..	·82
Profit and Loss	1·23	Bank Premises	·83
	100·00		100·00

Profit and Loss Account.
Dr. (In terms of the above.) *Cr.*

Interim Dividend	·96	Surplus from 1904	·14
Interim Dividend	·96	Net Profit for 1905	2·06
Payment of Income-tax ..	·09		
Surplus to the Credit of Profit and Loss for 1906..	·19		
	2·20		2·20

Dr. No. 3. *Cr.*

Liabilities		*Assets*	
Capital	15·66	Cash on hand and at call ..	11·69
Reserve Fund	5·48	Bills Discounted, including re-discounts..	9·18
Notes in Circulation ..	·13	Consols and other Investments..	5·66
Unpaid Dividends	—	Advances on Current Accounts	71·51
Credit Balances, Deposits, and on Bills re-discounted	77·20	Bank Property	1·96
Rebate on Bills and Interest on Deposits	·47		
Profit and Loss Account ..	1·06		
	100·00		100·00

No. 4.

Dr. Nominal Capital 34·3. Subscribed 19·6. *Cr.*

Capital Paid-up	9·80	Cash in hand, at Bank of England, and other Banks and at Call	8·08
Reserve Fund	4·90	Investments in Consols, Colonial Bonds and other Securities	12·00
Deposits, Credit Balances, Drafts. & other Liabilities	80·81	Freehold Properties yielding Rents	1·71
Rebate on Bills and Interest accrued on Deposits ..	·52	Bills Discounted, Advances on Current Accounts, Loans, &c.	73·79
Notes in Circulation ..	·23	Bank Premises, Fittings, &c.	1·47
Acceptances on Account of Customers	2·95	Stamps	
Balance of Profit and Loss Account	·79	Liability of Customers for Acceptances as per contra	2·96
	100·00		100·00

No. 5.

Capital Subscribed .. 49·50 } 51·98
Dr. Reserve Fund .. .. 2·48 } *Cr.*

Liabilities.		*Assets.*	
Capital Paid-up	7·67	Cash in hand	6·55
Reserve Fund	2·48	At Bank of England.. ..	6·65
Deposits and Current Accounts	79·10	Money at Call and at Short Notice	15·34
Acceptances & Guarantees	8·83	Investments	13·73
Liabilities by endorsement on Foreign Bills sold ..	·04	Bills Discounted, 3 months and under	10·33
Other Liabilities, being Interest due on Deposits, Unclaimed Dividends, &c.	1·00	Exceeding 3 months ..	1·44
Rebate on Bills not due ..	·06	Loans and Advances ..	34·00
Profit and Loss	·82	Liabilities of Customers on Acceptances and Guarantees as per contra	8·83
		Liabilities of Customers for endorsement as per contra	·04
		Bank Premises, chiefly freehold	2·76
		Other Assets, being Interest due on Investments ..	·33
	100·00		100·00

The proportion of the capital—including in this the Reserve Fund—to the liabilities from the public, that is, to the deposits, varies considerably.

In Balance Sheet No. 1 it is 18 per cent.
" 2 " 24 "
" 3 " 21 "
" 4 " 14 "
" 5 " 10 "

Where the capital is unusually large, a bank may make advances to its customers to an extent which is not possible where the proportion is more normal.

In those cases in which acceptances, guarantees, and

liabilities on endorsement exist, and appear among liabilities, they are offset on the opposite side by special assets. Hence no further reference to them is needed.

On the assets side of these Balance Sheets bills of exchange and promissory notes and bills discounted are entered. It is not clear whether the bills are discounted for customers, and hence represent advances to them, or whether they are security bills which might be included among liquid assets. Also, the Government securities are not separated from the other securities held. The cash in hand is only in one instance, No. 5, separated from that at the Bank of England. It should be stated separately in all cases.

A great deal may be learnt as to the allocation of the profit earned by a bank and other details as to the business by dissecting the accounts in this manner, but to follow these points up here would lead us away from the subject more immediately before us, which is to consider the disposal of the assets, as, for instance, the proportion of the loans and advances to customers to the credit balances. It will be observed in several instances that the proportion is large. It might be a great assistance to those on whom the management of banks rests if the accounts were made out by them in this form for their private use at suitable intervals. To have half the local resources invested locally is generally considered a fully liberal proportion—a third is more suitable. The stating the accounts in this manner would draw attention to the facts.

Conclusion.

Gradually we learn that the question which we have considered this evening is a very large one and that a good deal may be said about the best form of Balance Sheet to be adopted. Further, that it is desirable that all the Balance Sheets should be arranged on one uniform plan, which should be universally accepted by all the banks in the country. If this were done, many questions which now present difficulties might be easily arranged. In considering this we have first to remember what the banks are which have to be dealt with. Banks, in the United Kingdom, as we all know, vary in size as much, if not more than in any country of the world. To commence with the Bank of England. Its total figures run up to about £95,000,000. To take other instances and the figures conveniently to hand, Lloyds' deal with assets of nearly £76,000,000. The London City and Midland has £63,500,000, the London and County £51,000,000, Barclays' £50,000,000, the Union of London and Smith's £46,000,000, the London and Westminster nearly £35,000,000. These banks are either metropolitan and suburban or metropolitan and provincial. Amongst those banks which carry on business only in the provinces there are some very large figures: the Bank of Liverpool £14,500,000, the North and South Wales Bank £13,000,000, the Manchester and County £12,000,000, and the Wilts and Dorset and the York City and County deal with very nearly equal amounts. These are examples of the larger banks. There are some banks holding very much smaller amounts, under £400,000 and even smaller. The total assets, omitting the Bank of England, are, in round figures, £1,000,000,000. This amount is divided amongst about ninety banks, the scope of whose business extends, in some cases, over very large districts, and in others is quite small and local. Yet, as the business is identical throughout, it ought not to be impossible to arrange a Balance Sheet which should meet all the different requirements.

There need not be the same number of headings in all cases. In some of the smaller banks, headings which are mainly applicable to metropolitan institutions would not be needed.

Though in a sense only a detail, the subject is one of considerable importance, and it will be a pleasure to me if what I have said is of assistance in drawing up such a form as might be generally used throughout the United Kingdom.

In a matter of this description one can only make suggestions. I have endeavoured to put those that have occurred to me in a form that will be generally clear and acceptable. The subject might be considered by such a committee as Sir Felix Schuster has suggested, or if that were more occupied by larger questions, the Council of the Institute of Bankers, working with the Committee of the Country Bankers' Association, might undertake it, and obtain the acceptance of a uniform plan. This would have many advantages over a form enjoined by an Act of Parliament. Such a form is necessarily rigid. A business may frequently alter in details, and it may not be easy to fit the present position into a form perhaps fifty years old or older. I have known of cases in which a form of Balance Sheet enjoined by Act of Parliament, now practically out-dated, is employed, and where the accounts would be distinctly more intelligible if a form adapted to the present working could be used. I trust, therefore, that banks may be able to agree among themselves on the form of a Balance Sheet which may be generally acceptable.

Discussion on Mr. Palgrave's Paper.

Mr. Luke Hansard: Mr. President, I really have nothing much to say on the paper which Mr. Palgrave has been good enough to read to us. It is a very short one, and, to my mind, if Mr. Palgrave will forgive me for saying so, it is, to a great extent, an echo of what we have already heard so frequently in the agitation upon the subject of Bank Balance Sheets. The new ground which Mr. Palgrave touches upon is perhaps in the model of various Balance Sheets given at the end of the paper; but I think it is premature to discuss a detail of that kind before we are all agreed, or before we actually know what legislation is to be carried out in connection with monthly Balance Sheets. As regards the forms at the end, I have always been under the impression

that there is much greater difference in the class of business transacted as between one bank and another, and that there are very few that are actually identical. I think that if you have a Balance Sheet on fixed stereotyped lines it is conceivable that the public or the press might form a very erroneous notion of the condition of any one bank. Therefore, I say if you have any legislation, considerable latitude should be given to any one bank to supplement official lines by information of their own. There is one point which Mr. Palgrave mentioned in his paper which I think should not be forgotten, although, to my mind, it is only a minor point. He says in one part of his paper, if I recollect rightly, that monthly Balance Sheets are not Balance Sheets but merely monthly statements of account. Well, that is so, and I do not suppose anybody would suggest if we adopt monthly Balance Sheets that they should be audited in the same way as the ordinary half-yearly Balance Sheets. There is certainly that difference between a monthly Balance Sheet and a half-yearly one. At the end of his paper Mr. Palgrave remarks upon the largeness of this subject. Well, I think there are many of us who do not appreciate the important extent of any proposed alteration. I will just give you a few figures which I took out a little while ago. The twelve at present publishing banks have aggregate deposits of 389 millions, and the total deposits of banks in the United Kingdom given in the *Economist* half-yearly table, not including the Bank of England or the English, foreign, and colonial joint-stock banks—amount to 810 millions. Well, deducting the 389 millions already publishing, it leaves an aggregate deposit for those not at present publishing monthly Balance Sheets of 421 millions, so that it is not a matter to be dealt with lightly. Now, I do not propose for one moment to suggest that any of these twelve banks are guilty of anything like the offence of "window-dressing"—if it is an offence—but it is patent to all of you gentlemen that towards the end of the month there is a considerable disturbance of the money market, and I think it is possible, if you bring in a further 421 millions into the publication of monthly Balance Sheets, it is not unfair to infer that the disturbance will be considerably greater. Therefore I am no great enthusiast for the publication of monthly Balance Sheets. It may be of some good, but I am not sure that in other ways it will not be a great disadvantage. I do not know that I have anything more to say, but I hope that in any legislation, or attempted legislation, on this subject considerable caution will be exercised, and in considering this subject those who are the leaders in the matter will recollect that the policy of *laissez faire* has been a prosperous one to us in the past, and that we have done well under it.

Mr. F. Straker: Mr Palgrave says on p. 568, "The "greatest differences I have noticed in entries in the Balance "Sheets have been in the description of the amounts held in "cash at call and at short notice." This is a matter which has been always very prominent in my mind: the composition of the item appearing in Bank Balance Sheets as "Cash at call and short notice." To my mind these are two distinct items, and *if* there is a question of issuing a more lucid Balance Sheet, I would suggest to Mr. Palgrave that instead of having one item for "Money at call and short notice" he might have two items—one "Money at call," and another "Money at short notice"—in the same way that he proposes to divide "Cash in hand" and "Cash at the Bank of England." I do not think that "Money at call" and "Money at short notice" being put under one heading is a fair statement of that particular item of our liquid assets, as we know that a certain part of "Money at short notice" is not readily available as a liquid asset, especially in times of trouble. I simply throw this out as a suggestion, but it is a point which has been often in my mind.

Sir Felix Schuster: Mr. President, I am sure that we are all extremely obliged to Mr. Palgrave for the very able and lucid paper which he has put before us, and if I have hesitated to rise before, it is for the simple reason that there is really hardly anything in the paper which calls for remark. It is very clear, it is very straightforward, and, I think, on the whole, we are all agreed with what he has told us. My remarks, therefore, probably are directed more to what the latest speakers, Mr. Hansard and Mr. Straker, have said. Mr. Hansard has mentioned the word "legislation" once or twice. Well, Mr. President, I for one am very sorry that this word should be introduced here at all. I hope we shall arrive amongst ourselves at some conclusion which will make legislation absolutely unnecessary. It would be rather a reproach to bankers if they did not so manage their own affairs that Parliamentary intervention shall not be needed. There is no necessity for it, for I am sure that we shall arrive at some conclusion. I am not, and I have never been, an advocate of the doctrine of *laissez faire* where improvements were felt to be necessary, and I say this deliberately, that if we adopt the doctrine of *laissez faire* in this matter, then we shall have legislation. Mr. Hansard's objection to the publication by non-publishing banks I have not been able to follow altogether. He tells us that the twelve publishing banks hold deposits for 389 millions, and that the non-publishing banks hold deposits of 421 millions—a very large amount—and surely if the banks holding a smaller amount can publish their figures, the others ought to follow suit. His argument is that though he does not accuse the twelve publishing banks of "window-dressing," he suggests that at the end of the month there is a great pressure for money which can only be brought about by a certain practice which he does not describe as "window-dressing," and he says if other banks publish as well we shall have this pressure increased. Not at all. What we advocate now—the President, Mr

Palgrave, and myself—is the publication of averages, and not the publication of figures at the end of the month, and that will do away with "window-dressing" at the end of the month on the part of the publishing banks, and make "window-dressing" on the part of those who do not publish entirely impossible; so I think Mr. Hansard's defence of the non-publication falls to the ground. As to a further separation of "Money at call" and "Short notice," I confess I do not quite see the urgency of that matter; in fact, I do not think we ought to go from one extreme to another. I think some of our banks publish quite enough already, and if I have anything to criticise in Mr. Palgrave's paper it is that he rather asks too much in the way of details. It is not necessary to dissect our internal arrangements too much before the public. What is wanted is a clear and straightforward statement of our assets and our liabilities in an intelligible form, and average figures given once a month is really all the public can demand. Half-yearly Balance Sheets, or yearly Balance Sheets, will give shareholders of banks more detailed information. And in connection with the publication of these monthly statements, which I hope before many years are past will be adopted all over the country, I would observe this—they ought not, as Mr. Hansard said, to be mere stereotyped figures nor ought the same standard to apply to different banks. London banks and country banks do a different class of business, and the public will get used to the idea that one bank can do its business just as safely with a much smaller proportion of liquid assets than another with a larger one; and I think it is a matter of educating the public, and not letting the public think that every bank must work up to one fixed standard, 15, 18, 20, or 25 per cent. The public ought to recognise that there are such things as fluctuations, and that there may be times when a bank has to part a little more freely with its reserves, and to show a smaller proportion of assets to liabilities than on other occasions. I think this would be the value of these monthly accounts, for banking accounts do vary, and must vary in the nature of things.

Mr. Herbert (a visitor): May I ask, as a visitor, one question? I should like to know what is "Cash"? When I see in a bank Balance Sheet "Cash at call and short notice," I sometimes think it would be more correctly described as "Loans at call and short notice."

Mr. C. Gow: Mr. President, might I just ask one question also, and it is a question which I have never had answered either in this present agitation or kindred agitations which are troubling us now? What good am I to get from any of the proposals which have been made, what good is any bank to obtain from them at all? I see none. Does anyone suggest that there is any bank in such a perilous position that its affairs need overhauling in the way that has been talked of lately? Those are questions which I should like to have answered.

Col. Robert Williams, M.P.: Mr. President and gentlemen, I should like to say a word on the remarks which fell from Mr. Hansard and also from Sir Felix Schuster. Sir Felix deprecated—and, I think, rightly deprecated—legislation being introduced, but Mr. Palgrave quotes Mr. Rae in his very wise words, "You should be ready, aye ready." There is so much talk in the air that I cannot but think that the unanimity with which this paper has been received to-night rather indicates that if a Committee of the Institute of Bankers and of the Association of Country Bankers put their hands to the work at once and compiled suggestions for a monthly publication, it will, at all events, show those that may be considering legislation just now that we are taking the matter in hand ourselves, and this may stave off an interference which I think we would all deprecate. I would like to see something of that kind taken in hand by the two bodies I have named, and a Balance Sheet suggested for future consideration.

The President: Before asking you to pass a vote of thanks to Mr. Palgrave I should like to make one or two very short observations on the subject of the paper which he has so kindly read to us. In the first place, on p. 566, he says "The object of a Balance Sheet is to place before the "banker himself, his shareholders, customers and the "public generally, an exact and accurate description of the "position of the bank." With that I entirely agree. A mirror of this sort is most useful to the banker himself, and it may be that in some cases, if he is not compelled to look into that mirror, he does not always realise the position which he is in. On p. 566 he talks about twelve banks commencing to publish in 1891 and that the practice has been continued ever since by these banks. Unfortunately, their example has not been followed, as it was fondly hoped it would be by the other banks. I entirely agree with what Sir Felix Schuster said in deprecating legislation. We, none of us, want ourselves overhauled by the Houses of Parliament, but I am convinced unless the banks generally fall into line with respect to publication, this will come, and certainly it is far better for us of our own initiative to agree to this lest something worse befall us. On p. 567 Mr. Palgrave suggests average daily Balance Sheets. Now, I venture to think that it is impossible to take out average daily Balance Sheets. It is easy enough to calculate daily cash balances, but a daily cash balance is of no good unless you take the daily liabilities, and I think that even in a bank with only a few branches it is absolutely impossible for such a thing to be done. I do not see any great virtue in separating three months' bills from bills for longer dates. Bills of a longer currency than three months are rather rare in most portfolios; but in considering the liquid assets, sufficient weight is not given—especially in the analysis which appears in the press—to bills, or as Mr. Palgrave happily, I think, calls

them, "security bills." Now, a "security bill," *i.e.*, a first-class bill, is the very finest asset a bank can hold. It automatically turns itself into cash without any trouble; and you all know that there have been times when you cannot even sell Consols, much less railway debentures, or Colonial securities, all of which are looked upon generally as liquid assets. With regard to the suggestion of separating specie and Bank of England notes, I do not think myself that there is very much reason for doing that, because if you hold Bank of England notes the gold for these notes must *ipso facto* be in the bank vaults. Mr. Palgrave says later on that there are certain banks doing most excellent and solid business, which nevertheless have made such heavy advances to customers that they cannot be said to hold sufficient liquid assets. To guard them against themselves, and to compel them to keep sufficient of their assets in a liquid form is, I consider, one of the chief and main objects of monthly Balance Sheets with weekly averages. My opinion is, it would not be at all difficult to frame a Balance Sheet which might be universally used by every bank in the kingdom; though I entirely agree with what Sir Felix Schuster said that the amount of liquid assets that is necessary for banks to hold must vary according to the districts they are trading in, and the demands which are likely to come upon them. You cannot lay down an absolute standard. As to "Call and short notice money," I do not consider there is any virtue in separating these two, which Mr. Straker suggested, for money under these heads is usually lent in the same channels, and if they cannot repay the one, the borrowers will probably not be able to repay the other. These, gentlemen, are a few of the items which strike me in the very interesting paper which Mr. Palgrave has been kind enough to read to us. We all know how very thoroughly he has studied for many years past everything connected with banking. We are indebted to him for that most invaluable publication the *Banking Almanac*. The amount of useful information it contains we all know of; there is hardly anything we want to find out in reference to banking that it will not give us. I will ask you—and I am sure you will carry it unanimously—to pass a hearty vote of thanks to Mr. Palgrave for the paper he has so kindly read.

Mr. R. H. Inglis Palgrave (in reply): Mr. President and gentlemen, I have to thank you most heartily for the patience with which you have listened to a paper which, I fear to most of you, may have seemed like going through, at the end of a hard day's work, the accounts of your bank again for the day. I am very much obliged to you for the attention with which you have listened to me. I hope that we may be able to get through the settlement of this question without any legislation whatever. It is that which I am most anxious for, and which really was the cause of my troubling you with this paper. I do not in the least see why we should not all come to one mind on the subject, and that we all may find out the advantage of publishing statements on the lines suggested. That, I entirely believe, may follow if a good arrangement is adopted. I believe it has been of the greatest service to the Bank of England to be compelled to publish its Balance Sheet every week. However great the Bank of England may be, I believe its being brought continually before the eyes of the public has been of great advantage to it. One gentleman remarked on the difference between short call and notice, and thought I ought to have divided these items in my Balance Sheet. Well, sir, I assure you, with regard to this, I was afraid of putting in too much. As it is, I think I have made suggestions which everybody will not care to carry out, and I did not wish to put in too many of these. I must leave other people to work out these suggestions as they find it advisable. One gentleman asked what the advantage of all this discussion was, and what good was he to expect to get out of it. Well, I hope he will derive some advantage. I can only say for myself that if some advantage will follow, we shall all be very thankful. That is all I can say; I cannot go further than that. I think we might have been left alone, but since we have not been, we must be prepared to show a form of statement which no one will be able to controvert. I trust we shall be able to arrange this of our own accord, and without any legislation being required. I thank you most heartily.

Association of Municipal Corporations.

The annual meetings of the Association of Municipal Corporations commenced on the 17th inst. with the usual banquet at the Hotel Cecil. Once again there was a brilliant and distinguished assembly, which included, besides the principal guests, the Mayors or Town Clerks, or both, of the principal cities and towns in the country. The chair was occupied by Mr. J. S. Harmood-Banner, M.P., the President-elect; Mr. A. H. Scott, M.P., the Vice-President-elect, being also present. Other guests included Lord Tweedmouth, the Lord Mayor of London, Sir John L. Walton, M.P. (Attorney-General), Sir H. Cozens-Hardy (Master of the Rolls), Field-Marshal Sir George White, Sir Wm. Robson, M.P. (Solicitor-General), Dr. Macnamara, M.P. (Parliamentary Secretary to the Local Government Board), Mr. Stuart Sankey (Vice-Chairman London County Council), Professor Stuart, M.P., Mr. Robt. Armitage, M.P., Mr. A. E. W. Mason, M.P., Mr. R. L. Morant, C.B., Sir Thomas Roe, M.P., Mr. A. Priestley, M.P., Sir William Talbot, Sir William Holland, M.P., Sir Albert Rollit (ex-President), Sir James Woodhouse (ex-President), and others.

The usual loyal toasts were given from the chair and musically honoured, after which Sir William Holland, M.P., proposed "The Naval and Military Forces of the Empire," a toast to which Lord Tweedmouth and Field-Marshal Sir George White responded.

In submitting "The Houses of Parliament," Sir J. T. Woodhouse compared their procedure with that generally adopted by municipal corporations—of course, to the great advantage of the latter. He also commented upon the unnecessary time and money spent on private Bill legislation. Why should the great municipalities have to go to Parliament for every little local reform they wanted? (Cheers.) Parliament was ready for some devolution of its powers to the great municipal corporations. (Hear, hear.) When a main line became blocked they must shunt off the local traffic, and that was the principle that ought to be applied to the present congestion in Parliament. Sir John Lawson Walton, who replied to the toast, incidentally gave a partial agreement to the sentiments of Sir James Woodhouse, expressing the opinion that the limited Parliaments of Great Britain must eventually come to the aid of the parent institution, in order that escape might be made from the problems that confronted them. (Cheers.)

The toast of "The Local Government Board" was proposed by Mr. A. E. W. Mason, M.P., who referred to the great expansion that had taken place in local government in this country since the creation of that Government Department thirty-seven years ago. He recognised the extraordinary obligation which the country was under to the public-spirited men who gave their labour and experience to the services of their localities. He thought, too, that the present machinery of the Local Government Board was not longer quite able to cope with the many demands that were made upon it —(loud cheers)—and that it needed to be renewed, modernised, and extended.

The toast was replied to by Dr. Macnamara, M.P., the Parliamentary Secretary to the Local Government Board. He, too, took as his text the great expansion that has in recent years taken place in local government. To-day England and Wales was covered by 62 county councils, 324 town councils, 28 metropolitan borough councils, 818 urban district councils, 671 rural district councils, and about 13,000 parish meetings. To these had to be added 660 boards of guardians and some 450 burial boards and burial joint committees, and 29 separate port sanitary authorities. In all, England and Wales were covered with over 16,000 local authorities. If there were added the officers and managers of various sick asylums, the Local Government Board last year came into contact with 25,052 local authorities in this country. He recognised the extraordinary obligation which this country was under to the public-spirited men of every locality who gave their labour and experience to the service of their own localities. There was nothing like it elsewhere in the civilised world. His own view was that the genius for local self-government was the greatest characteristic of the British people. He trusted that the supply of public-spirited men who were prepared to spend and be spent in the public service would never fall off—(hear, hear)—otherwise, with our grave obligations and great commitments, our position would be a serious one. (Hear, hear.) Again, there was the vital necessity of keeping the Local Government Board so organised as to be able properly and promptly to adapt itself to the municipal movements of the day and enabled to keep abreast of the enthusiasm, the endeavours, and the aspirations of the great local authorities of the country. (Hear, hear.) If patriotism and high expert knowledge and untiring industry could help towards this accomplishment, then the permanent officials of the Local Government Board ought to succeed. (Cheers.) He spoke for himself alone when he said that he wished circumstances rendered it possible for the Local Government Board to consider and determine the various applications of local authorities with greater despatch. (Cheers.) In this matter, he hoped the company would believe that the Local Government Board, like themselves, were the victims of circumstances over which they had no control. Speaking also for himself, he thought the time had come for the revision of the local incidence of the cost of the burden laid upon municipalities. As to the control of elementary and higher education, he saw that the rate charge for elementary education in the county boroughs had gone up by 30 per cent. in the last four years, and in the non-county boroughs by 80 per cent. He trusted they would not grudge that expenditure, because he believed that this was the most productive expenditure which the country demanded. (Hear, hear.) But our system of financing education was unscientific to the last degree. It was obvious that State aid on behalf of education ought to be graduated, so as to connote the special circumstances of the locality, and it was obvious that the greater proportion of what was, after all, a national, and not a local, service ought to be maintained from the Imperial Exchequer. (Cheers.)

Sir Albert Rollit, Past-President of the Association, proposed the toast of "The Lord Mayors, Mayors, and Municipalities of the United Kingdom." The municipalities, he said, had made the lives of the people more liveable. They had not merely reduced the death-rate, but they had made lives longer and more enjoyable. As to their work, he did not mind constructive criticism, but he did dislike criticisms by men who were merely destructive in their efforts, who gave no time to that chivalry which was the performance of public duty, and who thought that full citizenship had been attained when they had paid

their rates and taxes—and that even they could not do and look pleasant. (Laughter and cheers.) We are poor but honest, said Sir Albert. (Loud cheers.) We court every possible investigation into our administration, and we are prepared to submit our accounts to any proper and adequate audit. (Loud cheers.)

The Lord Mayor of London and the Mayor of Southampton responded. The former told a funny story. A Yorkshireman, whose urban district council had recently attained the dignity of a borough, met a friend at luncheon one day, and informed him of the glad tidings. "Yes," he said, "we are now a borough, and we have a mayor who wears a chain round his neck." "Wears a chain round his neck?" replied his friend; "why we let ours go loose."

"Our Guests" was proposed by the Lord Mayor of Newcastle-on-Tyne, and replied to by the Master of the Rolls and Professor Stuart, M.P. The former thought there was too much private Bill legislation, and that municipal corporations ought to be content with general statutes. The sentiment, however, was not very generally accepted by the company, as it is a well-known fact that very little of our general municipal legislation would have been obtained had the initiative not been taken in private Bills.

Mr. A. J. Sherwell, M.P., proposed the toast of "The Association of Municipal Corporations," to which the Chairman responded in a speech that was necessarily brief, on account of the lateness of the evening. He thought it was a pity that the London boroughs were prohibited by the operation of the Local Government Board audit from paying subscriptions to the Association —(hear, hear)—and hoped that the grievance would soon be remedied by the Local Government Board.

The business meeting of the Association took place at the Guildhall on the 18th inst., when Mr. J. S. Harmood-Banner, M.P., and Mr. A. H. Scott, M.P., were elected President and Vice-President respectively for the ensuing year.

Review.

Compensation for Man and Maid.

A full explanation of the Workmen's Compensation Act, 1906.

By Oscar M. Wihl, B.A., LL.B.

London, 1907: Gee & Co. Price 2s. net.

This concise, yet withal perspicuous little treatise on a topic of almost universal current interest is well calculated to convey to the minds of the most unsophisticated man or maid under what circumstances he or she may become entitled to compensation for accident in the course of employment.

Mr. Wihl's little work consists in no mere annotation of the statute, though we are glad to find that in Chapter XII. it includes it. He deliberately pulls the Act to pieces, and presents us with its subject-matter digested and arranged in a continuous and progressive course which compares very favourably with the slipshod method pursued in the Act itself. The first three chapters are devoted to preliminary matters, or, to use the author's simile, "to the excavation of a firm bottom," which desideratum having been attained, the following chapters deal in logical order with the questions "Who are employers? Who are workmen? For what is compensation given? The amount of the compensation," and "How compensation is obtained."

Two supplemental chapters then treat of the more technical and special aspects of the subject, viz., "Industrial Diseases" and "Seamen," and in an eleventh chapter many useful hints are given to householders on their position under the new Act.

There is no index, which may well be deemed unnecessary in so slight a work; but that being so, we would suggest that reference would be much aided by page headings, or alternate page headings, showing the immediate subject-matter under discussion in each chapter, or, better still, on each page. As it is, one has to refer to the opening of each chapter to discover one's exact whereabouts.

Personal.

Messrs. Monkhouse, Goddard & Co., Chartered Accountants, of St. Nicholas Chambers, Newcastle-upon-Tyne, have admitted Mr. H. Kenneth Armstrong into the partnership of their firm. Mr. Armstrong is a nephew of their senior partner, and has been associated with their firm for some years.

Messrs. Reginald W. Thornton and Herbert J. Webb, who have hitherto been practising in partnership at 17 Philpot Lane, London, E.C., and Bank Chambers, Carfax, Oxford, announce that the partnership existing between them has been dissolved by mutual consent, and that Mr. Reginald W. Thornton will in future carry on the whole of the practice by himself at the above addresses.

Meetings for the ensuing Week.

Tuesday — Institute of Chartered Accountants.—Finance Committee, at 2.30 p.m.; Applications Committee, at 3 p.m.

Wednesday—Institute of Chartered Accountants.—Council Meeting, at 11 a.m.; 26th Annual General Meeting, at 2 p.m.

Chartered Accountants' Benevolent Association.—21st Annual Meeting, at the conclusion of the Annual Meeting of the Institute.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday April 19th was 171, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 91; Deeds of Arrangement registered, 80. The respective numbers in the corresponding week of last year were: Bankruptcies, 40; Deeds of Arrangement, 67—total, 107; being an increase of 64. The total number of commercial failures recorded during the 16 weeks of the present year is 2,452; the total number recorded in the corresponding 16 weeks of last year was 2,683, showing a decrease of 231.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday April 19th, was 171. The number in the corresponding week of last year was 84, showing an increase of 87. The total number filed during the 16 weeks of the present year is 2,447; the total number filed in the corresponding 16 weeks of last year was 2,462, showing a decrease of 15.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday April 19th amounted to £4,668,069, by way of addition to £1,533,939, previously issued by the same companies. The amount registered in the corresponding week of last year was £442,938, showing an increase of £4,225,131. The total amount registered during the 16 weeks of the present year is £28,001,895 (in addition to the issues in previous years by the same companies), as compared with £24,936,552 for the corresponding 16 weeks in 1906, showing an increase of £3,065,343.

The Profession in Scotland.

Trusteeships in Sequestrations.

Acting Sheriff-Substitute Nicholson has decided an important point in bankruptcy law, which arose in the competition for the trusteeship on the sequestrated estate of Roderick Finlayson, hotel keeper, Royal Hotel, Crieff. At the first meeting, creditors with claims to the extent of over £3,000 voted in favour of Mr. Martin Henry Pirrie Watt, banker, Crieff, while creditors to the extent of £2,000 voted in favour of Mr. William James Wood, accountant, Perth. At that meeting Mr. Wood stated several personal objections to the appointment of Mr. Watt. Thereafter before the Sheriff-Substitute he objected that Mr. Watt was ineligible for the position of trustee in respect that he had an interest opposed to the general body of creditors, because, although agent of the North of Scotland Bank, Lim., who held security over the buildings of the Royal Hotel, he would as trustee have to determine what part of the goodwill of the business went with the buildings, and what part was movable and went to the general body of creditors. His second objection was that Mr. Watt was conjunct and confident with the bankrupt in respect that he had superintended and checked the bankrupt's books, and carried through a composition arrangement for him. The Sheriff-Substitute sustained those two objections to the eligibility of Mr. Watt, and found that Mr. Wood had been duly elected trustee on the estate.

Scottish Insolvencies.

For the week ending 20th April the number of insolvencies reported in Scotland was 29, as compared with 28 in the corresponding week of last year. The trust deeds numbered 14, as compared with 12; the sequestrations 4, as compared with 6; and the petitions for cessio 11, as compared with 10. The total number of insolvencies for the sixteen weeks of the year is 453, as compared with 423 in the corresponding period of last year—the trust deeds numbering 220 against 195, the sequestrations 83 against 106, and the petitions for cessio 150 against 122. Of the 14 trust deeds reported during the week, 8 were granted in favour of Chartered Accountants. Four voluntary liquidations of limited liability companies were gazetted during the week, making 54 for the sixteen weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1927	4%

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1691.] SATURDAY, MAY 4, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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Leading Articles.

The Annual Meeting of the Institute.

IN another column of the present issue will be found a full report of the Twenty-sixth Annual Meeting of the Institute of Chartered Accountants in England and Wales, which was held on Wednesday last, the 1st inst., Mr. W. B. PEAT, F.C.A., the President, in the chair.

Following our usual practice, we propose at the present time to confine our comments to

the report of the Council presented at this meeting. In our next and subsequent issues we shall deal in due course with the President's Address, and the other business of the meeting.

Although there is, perhaps, nothing very startling in the Council's report, it naturally contains much that is of considerable general interest; and upon this particular occasion the number of pending matters is perhaps greater than usual. The membership of the Institute shows a net increase of 186 for the year, and on the 1st January last amounted to no less than 3,585, of whom, however, only 841 are Fellows. The proportion of practitioners who obtain all the benefits of membership and yet do not pay the full membership fees is thus considerable, and shows but little signs of abating. During the past year there has been a slight falling-off in the number of articles of clerkship registered, the total being 293, as against 318 in 1906; but as even this reduced figure is upwards of 50 per cent. larger than the net increase in membership, it is clear that for some years at least the latter will continue to expand at a rapid rate. The examination statistics show that in all 1,095 candidates were examined, of whom 705 passed and 390 failed. In addition to the 241 candidates who passed the Preliminary Examination, certificates of exemption were issued to 58 persons, making a total very closely agreeing with the number of articles of clerkship registered. It would thus seem that, roughly, 20 per cent. of those who are articled pass some qualifying examination other than the Preliminary. Another interesting feature in connection with these examinations is the figures relating to the special examinations 'd under Bye-law 35A, which expired on the 31st December last. Altogether, 35 applications for admission were received under this bye-law, of which 25 were acceded to. Of these 25, 14 applicants succeeded in passing the examination and were admitted to membership, and 11 failed. We do not know how far these statistics may be regarded as fairly representing the status of non-Chartered Accountants who have been in practice continuously for ten years or more, but if it be really a fact that 30 per cent. are of such a standing as not to justify the Council in acceding to their applications, and, of the remaining 70 per cent., 44 per cent. do not come up to the required standard of knowledge, it will be seen that there are good grounds for stating that the Institute has now within its own ranks practically all outside accountants who are qualified to enter. On the other hand, it is undoubtedly cause for congratulation that the fourteen successful applicants should have been admitted to membership.

With regard to legislation, it is noted that the Chartered Societies' Protection Bill, which was withdrawn last session, does not appear to have been reintroduced. We are told that the Council have been discussing, and still have under their consideration, the question of registration for the profession, but what progress has been made in the matter is not stated, doubtless because at the present time any disclosure of the negotiations pending would be premature. It is to be hoped, however, that these negotiations are proceeding satisfactorily.

Members will be glad to observe that the attention of the Council is directed to the subject of Colonial registration, with a view to

securing for members the right to practise in any part of His Majesty's dominions. This is undoubtedly as it should be; but bearing in mind that it is obviously to the advantage of the profession as a whole that practitioners in the various Colonies and Dependencies should co-operate and organise, it is desirable, we think, that local regulation of the profession should be facilitated. As we have already pointed out when dealing with the question of Scottish Chartered Accountants, a man who is a qualified accountant in his own country is not *ipso facto* qualified in any other part of the world that he may select as his habitation for the time being; and no injustice would be done by requiring him in some way to prove a sufficient knowledge of local law and custom before being allowed to there represent himself as a qualified and experienced practitioner.

With regard to litigation arising out of the regulation of the profession, the fact that Mr. JAMES has appealed against the decision of Mr. JUSTICE KEKEWICH (reported on p. 31 of the current volume of *The Accountant* Law Reports) naturally prevents any further comments being made upon the matter at the present time. In the same way discussion of the decision of Mr. JUSTICE JOYCE (reported on p. 37 of the same volume) in the matter of *The Institute of Chartered Accountants v. Yoxall and Others* was for a time stifled by notice of an appeal. The appeal has, however, not been persisted in, so that the injunction granted by his Lordship has been made perpetual, with the result that a number of persons have been restrained from describing themselves as members of an unincorporated body called the Institute of Accountants. Similarly, the present year has been memorable for an injunction granted by Mr. JUSTICE WARRINGTON, at the instance of the Society of Accountants, against the London Association of Accountants, Limited, and certain of its members, the effect of which is virtually to protect the plaintiffs' right to the description "Incorporated Accountant." These decisions are excellent so far as they go, and demonstrate that the present law is sufficiently strong to protect the titles "Chartered Accountant" and "Incorporated Accountant"; while at the same time they show that the opinion at one time held, that such an injunction could not be obtained, was wrong—a point upon which we have always insisted. But, although these decisions are satisfactory up to a point, it yet remains, before the position can be regarded as wholly satisfactory, for the profession to secure some form of enactment which will restrain unqualified persons from posing before the public as qualified practitioners, even in such a manner as may not in law be an infringement of the known descriptions of members of the recognised bodies. The existence of an increasing number of organisations of outside accountants makes the need for such a measure more urgent at the present than at any previous time, and we trust that it will not be long before such an understanding may be arrived at among the recognised bodies as will enable them to join together in presenting a Bill in Parliament with that object in view.

Reference is made in the report before us to the Bankruptcy Law Amendment Committee, and to the fact that Mr. A. O. MILES, F.C.A., has been selected to give evidence before that Committee on behalf of the Council; but no reference is made to the Committee appointed to deal with the Accounts of Local Authorities, of which Mr. JOHN GANE, F.C.A., the ex-President of the Institute, is a member.

Reference has already been made in these columns to the deaths of Mr. ADAM MURRAY, F.C.A., a former President of the Institute, and Mr. W. G. HOWGRAVE, its first Secretary, and also to the recent resignation of Mr. C. H. WADE, F.C.A., of his seat upon the Council. These matters are, of course, duly noted in the Report before us, and it is mentioned that the two vacancies in the representation of Manchester on the Council so occasioned have been filled by the election of Mr. J. G. LITTON, F.C.A. (Messrs. BUTCHER, LITTON, and POWNALL) and Mr. JOHN MATHER, F.C.A. (Messrs. PARKINSON, MATHER & CO.). The excellence of these appointments is not likely to be disputed, but many are of Mr. HAMILTON'S opinion that vacancies caused by death or resignation present a suitable opportunity for reconsidering the constitution of the Council, and of allocating seats to growing districts which are at the present time unrepresented.

The Accounts for the year show a very satisfactory excess of income over expenditure amounting to £3,477. Apart from the item "Repairs to Hall and Offices," which is about £250 more than last year, the only increase in the expenditure of note is an additional allowance of £125 to provincial Students' Societies, which certainly cannot be regarded as excessive. In the Balance Sheet, which shows an accumulated fund of £67,048, the only item that appears likely to call for criticism is the provision for Depreciation of the Library. Bearing in mind that a large number of the books represent current works on Accounts and Law, it may be regarded as questionable whether 10 per cent. per annum on the reducing balance is altogether adequate. Taking works of this description alone it would doubtedly be quite inadequate, and the question might perhaps be asked whether the number of works of antiquarian value, which doubtless appreciate year by year, is sufficiently great to compensate for this shortage. Now that steps have been taken to make full provision for Depreciation upon the Institute's buildings, we think that this matter might receive attention, even although the figures involved are so small as to be practically a negligible quantity.

The Accounts of Professional Men.

THE subject chosen by Mr. M. WEBSTER JENKINSON, A.C.A., for his recent lecture at Leeds, Hull, and Bristol (a full report of which appeared in our issue of the 23rd March last), namely, "The Accounts of Professional Men," is too wide to admit of anything approaching really adequate treatment within the time limits available under the circumstances. The paper therefore must in common fairness not be regarded from the point of view of what it might have contained but omits to deal with, but merely as suggestive of a few points of interest in connection with the accounts of different classes of professional men.

Dealing first of all with Solicitors' Accounts, we are a little disappointed to observe that the lecturer favours the employment of a Cash Journal. Where the principal himself keeps his own books, or, at all events, his books of first entry, and is of a sufficiently methodical habit to keep them with reasonable accuracy, the Cash Journal undoubtedly possesses great advantages. But in the hands of a bookkeeper whose work is not properly supervised it ought

not to be overlooked that, by the simple expedient of placing an item in the wrong column, it becomes extremely easy to cover a fraudulent misappropriation of moneys. It is also quite open to question whether a book of this description so amplified as to possess eleven money columns is not unduly elaborate. Certainly it would be quite beyond the capacity of many solicitors' clerks to accurately keep such a book, recording all transactions correctly, in the order of date, and in the right columns. Moreover, if the business be of sufficient magnitude to render this comparatively large number of columns desirable, it may well be doubted whether the employment of a single book of first entry for all transactions does not involve more objections than advantages.

Turning to the comments upon Accountants' Accounts, we do not quite see the advantages of a Time Ledger so arranged that practically one-half of each page is devoted to columns which, in the nature of things, can only be called into use upon the comparatively rare occasions when a bill is rendered to the client. More especially does this arrangement seem wasteful when the *pro formâ* Bills Delivered Book appears to be employed merely for the sake of repeating this information a second time. We would suggest that the same end might be achieved with a far smaller expenditure of labour by restricting the Time Ledger to a record of time, and nothing else; while in many cases the Bills Delivered Book might with advantage be amplified slightly so as to at the same time serve the purpose of a Tabular Ledger in respect of accounts that are to be promptly settled.

The lecturer's comments on the accounts of medical men and of dentists are, we think, upon the whole decidedly better suited to meet the requirements of those respective cases. But the whole paper suffers almost inevitably by comparison with the systems of accounting described at much greater length in the "ACCOUNTANTS' LIBRARY" Series, and although the comparison is essentially unfair, in the sense that in the time available the lecturer could, of necessity, only touch upon the various points calling for consideration, it is yet unavoidable. The paper as a whole would, we think, have been more useful to junior students had it confined itself more to the principles involved in a few of the more representative forms of books peculiar to the accounts of different classes of professional men, dealing with them rather as matters of principle, and showing the reasons governing their evolution.

Weekly Notes.

Company Law in New South Wales. The attention of all who are interested in companies carrying on business in New South Wales should be directed to the Companies' Amendment Act of that Colony (which was passed on the 11th December last), which provides that any company registered elsewhere than in New South Wales, and there carrying on business, shall within six months of the commencement of the Act register its name and a copy of its memorandum and articles of association, a Balance Sheet made up to a date not more than twelve months prior to the date of such registration, the name and address of the person appointed by the company to carry on its business in New South Wales, and the address of its principal office therein. The penalty for failure to comply with these provisions is to be at a rate not exceeding five pounds for each day during which default continues, the accredited agent of the company being personally responsible for the amount of such penalty. Having registered in accordance with the provisions of the new Act, the company has further to comply with Sections 20 and 21 of the principal Act, which require the filing annually of a return containing a summary of the shareholders and capital of the company, and the filing of annual

Balance Sheets. A question may arise in some cases, of course, as to what exactly constitutes carrying on business in New South Wales, but unquestionably all companies owning and mining properties in that Colony will be affected by the change.

Official Audits and Defalcations. At a Metropolitan Police Court recently a former rate collector of one of the Metropolitan Borough Councils was remanded on a charge of embezzling rates, and it was stated that it was not until after his resignation, nearly three years since, that it was discovered that certain houses had been returned as empty, and the rate as irrecoverable, although the rates had in point of fact been regularly collected by the prisoner. Even then the discovery was made, not by the District Auditor, but by the Borough Treasurer. One is tempted to inquire in a case like this, assuming the facts to be as stated, what is the use of an official audit if it fails to detect systematic irregularities of this description, which amount in all, it is said, to a sum exceeding one hundred and thirty pounds?

The Value of Horse Omnibuses. At the recent annual meeting of Thomas Tilling, Lim., the chairman is reported to have stated that they had some 250 horse omnibuses standing in the books at £13 each, cabs being put down at £11, and over 200 private carriages scheduled at £5 apiece or under. "There does not seem to be much of a fools' paradise about that," was the remark.

What is a Prospectus? In *Sherwell v. Combined Incandescent Mantles Syndicate, Lim.*, before Mr. Justice Warrington, the plaintiff, as an applicant for shares in the syndicate, claimed an interim injunction to restrain the syndicate and its directors from drawing on an account at the London and County Bank and the Bank from parting with the money. Counsel for plaintiff relied on Sections 4 and 6 of the Companies Act, 1900, and alleged that the company had not commenced business, and had not complied with Section 2 of the Act, which related to the registration of a company applying to the public for subscriptions. The case for the defendants was that the syndicate never applied to the public for subscriptions. In giving his decision the learned Judge said that the motion was founded on the supposed right of the plaintiff as an applicant for shares to have his money returned to him under Section 4, Subsection 4, of the Act of 1900. It was not disputed that if the share capital had been offered to the public then the conditions had not been complied with, but the question was purely one of fact—namely, whether the plaintiff had made out a *primâ facie* case that the share capital *had* been offered to the public. In his opinion, on the evidence put forward, it was never intended to apply, and the syndicate never did apply to the public for subscriptions. Some copies of a prospectus had been printed, but the heading was "strictly private and confidential—not for publication," and it was intended that persons interested in the syndicate might show this to their friends with a view to obtaining subscriptions. This was not an invitation to the public, and the motion must fail.

Rates on the Instalment Principle. It is reported that the Farsley (Yorkshire) Urban District Council has decided to allow the ratepayers to pay their rates by weekly instalments, and it is thought that by this method there will be less leakage in the yield. The Vice-Chairman, Mr. B. O. Pearson, is very hopeful regarding the scheme, the legality of which is said to be beyond doubt, and it has been arranged to open the rate office on pay nights (Fridays) so that the working classes may take the opportunity of paying their instalments. It is not certain at present whether the plan will involve much extra clerical work, but the experiment will be watched with the greatest interest by all concerned in municipal matters.

Specific Legacies and Ademption. Our readers may remember the case of *Re Slater (deceased); Slater v. Slater*, upon which we commented last year. Mr. Justice Joyce held that where a testator had bequeathed the interest on money invested in a certain security to his wife for her life, and during the testator's lifetime a different security had been substituted in accordance with statutory powers, the substituted security did not pass under the bequest. The Court of Appeal has upheld this decision, and has, moreover, decided that, even if a contrary intention is read into the terms of the bequest, the gift has been adeemed. The judgment of the Master of the Rolls is well worthy of study.

Company Management in Germany. We are obliged to Mr. J. A. Heaton for his letter, which appeared in our last issue, on the subject of the Weekly Note which appeared in our issue of the 6th ult. If the German Board of Supervision be merely an Audit Committee of laymen, who do not understand their duties, and do not seriously attempt to carry them out to the best advantage, clearly the system contains nothing that is worth copying. At the same time, we cannot but think that there is scope for something of the kind that we suggested in our Weekly Note, not as in any way encroaching upon the duties of auditors, but merely as a check upon bad or improvident management.

Accountants Practising Abroad. We do not quite understand what our correspondent "Curious," whose letter under the above heading we reproduced last week, means by "restriction." Save in the Transvaal Colony, where certain formalities have to be observed under a recent Ordinance, a British Chartered Accountant is free to practise his profession in any of the Colonies, and to describe himself as being what he is. Colonial Accountants coming to England would undoubtedly enjoy corresponding facilities, unless, of course, the designation by which they are locally known is so similar to that of one of the recognised designations in general use in this country as to lead to confusion. So far as we are aware, however, no such similarity exists.

An Unusual Misfeasance Case. The case of *Wells and Others v. Murray and Others*, which came before Mr. Justice Grantham and a special jury on the 22nd ult., was settled on terms agreed upon between the parties, and thus affords no guidance as a legal precedent. It is of interest, however, to note that this was a case in which the plaintiff, on behalf of herself and all other shareholders of the New London Discount Company, Lim., sued the former directors and the legal personal representatives of the deceased directors, asking for an account, and alleging misfeasance. Counsel for the plaintiff, in opening his case, alleged that the directors had practically left everything in the hands of a manager, since deceased, who had committed various irregularities for which the directors were technically responsible. The case is, however, perhaps of special interest to our readers because it serves as a reminder that legal proceedings alleging misfeasance may be instituted not merely by the Official Receiver or liquidator of the company, but also by any creditor or contributory. Naturally, however, the liquidator usually institutes proceedings, instead of it being left to one shareholder to do so on behalf of all.

Defalcations and Collusion. One of those comparatively rare cases in which, owing to collusion between employees, extensive defalcations have remained undiscovered for a considerable period of time recently came before the Recorder in the Central Criminal Court, when a collector and a bookkeeper in the employment of the Skinners' Company pleaded guilty to defalcations amounting in all to about five thousand pounds. Bearing in mind the fact that the frauds had been going on for a number of years, and especially taking into consideration the extreme difficulty of detecting frauds where there is collusion, and where the staff is not sufficiently large to allow the duties of employees to be readjusted at fairly frequent intervals, it would seem that the sentence imposed of twenty months' hard labour in each case did not by any means err upon the side of severity. There are many cases upon record in which men acting alone and stealing considerably less than five thousand pounds have been sent to penal servitude for five years, or more.

Company Profits and Goodwill. In reply to the question raised by our correspondent "Newspaper," in his letter which appeared last week, the amount paid by the private limited company to A. and B. on the 30th June 1905 may clearly be regarded as expenditure in the acquisition of goodwill. It is not, however, by any means so certain whether the loss of £200 sustained by the company during the ensuing six months can be so treated. Inasmuch, however, as the periodical appears to have been consistently run at a loss until the turning-point was reached in December 1905, it is probable that, provided there is nothing in the memorandum and articles of association forbidding it, the directors would be justified in capitalising this additional loss of £200, and in treating the profit of £300 earned during 1906 as divisible profit. We need hardly say, however, that it would be wiser to set the loss of £200 against the profit of £300, and treat the balance only as available for distribution.

Offences under the Bankruptcy Acts. At the Central Criminal Court last week a man, who had formerly been a colliery owner, then a company promoter, and afterwards became a bankrupt—and who, presumably

for these reasons, was described as an accountant—pleaded guilty to an indictment charging him with obtaining credit by false pretences, in that he had failed to disclose the fact that he was an undischarged bankrupt. There being a previous conviction against the prisoner, the Recorder sentenced him to twelve months' imprisonment, with hard labour.

Municipal Audits and Parliament.

A correspondent writing to *The Financial News* of the 25th ult., apropos the annual meeting of the Association of Municipal Corporations recently held at the Guildhall, under the presidency of Mr. J. S. Harmood-Banner, F.C.A., M.P., suggests that if both municipal traders and anti-municipal traders are anxious that the accounts of local authorities should be audited by qualified accountants, there ought to be no difficulty in getting such a measure through Parliament, more especially as the President and Vice-President of the Association of Municipal Corporations are members of the House of Commons. Our contemporary's correspondent appears, however, to overlook the power of Government Departments. The permanent officials of the Local Government Board, having very wisely recognised that the one who attacks is in a stronger position than the one who defends, have decided to do all in their power to extend the present unsatisfactory system of official audit; and it may well be questioned whether anything short of a great demonstration of popular opinion will have the power of shaking them in their determination to extend official audits in every possible direction. We already have the Government audit applied to local authorities in the Education Acts and the Unemployed Workmen's Act; similar provisions are inserted in the Milk Depôts Bill, and even in the War Secretary's Territorial Forces Bill; and, indeed, it is not too much to say that wherever new machinery is created involving the preparation of accounts, provision is being consistently made for those accounts to be officially audited. To combat this tendency it is necessary that the attention of the general public, and not merely that of a few experts, should be directed to the issue. When the public realises that these district auditors are almost invariably lawyers, without any experience whatever of accounts or of audit; that their audit is expensive, dilatory, and vexatious, and no safeguard whatever against fraud—then, and not till then, does there appear to be a reasonable hope that this tendency towards the increase of officialism at all costs will be likely to meet with anything in the nature of a check.

The Colonial Conference and Income Tax.

The Prime Ministers of Australia, New Zealand, Cape Colony, Natal, and the Transvaal, have interviewed the Chancellor of the Exchequer, says Reuter, and have discussed the question of double income-tax and other financial problems affecting the Colonies, but no satisfactory result was arrived at. It is said that the whole question, having now being discussed in detail, will be brought before the Conference.

Associations of Municipal Corporations.

We are indebted to our contemporary *The Municipal Journal* for the report of the annual meeting of the Association of Municipal Corporations, reported in ours of the 27th ult., and by an oversight we omitted to quote the source of our information.

Pure Milk and Skim Audit!

We tender our sincere congratulations to *The Municipal Journal* for a recent paragraph in which the following straightforward words are used:—

> "If Mr. Burns wants the Local Government Board audit, why doesn't he introduce a Bill into the House of Commons setting one up? Instead of which, he says that municipal corporations shall not be allowed to establish milk depôts unless they accept the Local Government Board audit with them. Milk depôts are one thing, and audit is another. The Local Government Board apparently would rather not have a square and straight fight on this matter. By adopting its present tactics the Department is doing its own audit cause harm, and is delaying reforms that everybody wants. The Association, for instance, unanimously decided to oppose the audit provision in the Milk Depôts Bill. Mr. Burns will therefore have to drop either his audit or his Bill, or both. For even he cannot force through Parliament a proposal that is strenuously opposed by all the municipal corporations of the country. The tactics of his Department are preventing that full discussion of the problem without which it is impossible to arrive at a satisfactory solution."

Suretyship.

It is said that suretyship is rapidly declining, and policies in approved insurance companies are taking its place. This will probably work for the convenience and benefit of all parties, as insurance companies have special facilities

for conducting this class of business which the average good-natured bondsman does not possess. It has even been said that a time may come when the change may render the large body of law relating to principal and surety in some measure obsolete. The statement is guarded enough, but it seems a far cry even then.

The Duties of Trustees. The decision of Mr. Justice Kekewich in *Davis v. Hutchins* raises a point of peculiar importance and interest to trustees. The facts as reported were, briefly:—A beneficiary under a will charged his portion to secure £350, no notice being given to the trustees of the will. Subsequently his share was assigned absolutely, subject to this charge, to the trustees' solicitor. When the time came for the funds to be distributed, and the solicitor advised the trustees that the share in question was payable to himself, they made no further inquiry but acted on his advice. The transferee of the original charge then called upon the trustees to pay the sum thereby secured and due. It was held that the duty of the trustees, when they were informed that the share was payable to an assignee, was to investigate the assignee's title; and if in this case this course had been followed, the previous charge would have been disclosed, because it was mentioned in the recital of the later assignment, so that a plea of want of notice could not be maintained. The trustees must suffer for the fraud of their own agent, and could not be granted relief under Section 3 of the Judicial Trustees Act, 1896, for although they had acted "reasonably and honestly," the learned Judge was unable to agree that they "ought fairly to be excused for the breach of trust."

Company Law Reform. The correspondence which has been appearing in the press recently, some instances of which were noticed in our last issue, is becoming more interesting as it grows. A correspondent, signing himself "Solicitor," writes in *The Financial Times* to suggest that some of the remedial legislation which has been put forward comes within the category known as "locking the stable door after the horse is stolen," and he thinks that the Legislature should primarily consider how to protect shareholders *before* not *after* the evil has been done. The suggestion is then made that shareholders, other than vendors and promoters, should in all cases be entitled to nominate a proportion of the board of directors out of their own number, and that this should be done at the statutory meeting. In addition to this, he thinks that all proxies issued to such shareholders should only be made out in the names of these shareholders' directors, as distinguished from the other members of the board. It is said that this course would enable this particular body of members to have some voice in matters which are generally dealt with at annual meetings. It is further stated that no reconstruction should be lawful unless and until the shareholders had been supplied with a certified Balance Sheet and Profit and Loss Account, and that in no case should an officer of the company be appointed liquidator. The remark is made that the vast amount of fraud which has of recent years taken place in connection with the reconstruction of companies is especially notable in those cases where a director or secretary of the company has been appointed liquidator; and that, under the present working of the sections of the Act of 1862, dealing with reconstruction, the rights of dissentient shareholders are not given that attention which they deserve. It is alleged that those who have taken most part in company reform have hitherto approached the question from the promoter's point of view, and it is said that they are endeavouring to protect the supply in order to create the demand, instead of letting the demand, following ordinary economic procedure, create the supply. The suggestion that it should be permissible to issue shares at a discount is received with amazement, and the opinion seems to gain ground that it would lead to what is called "scandalous jugglery." With regard to all these suggestions, of course, they aim very largely at the root of the present edifice of limited liability; for, so long as the rights of the majority are paramount, it is difficult to conceive what good purpose can be served by allocating little plums of privilege to the minority. With regard to the remarks concerning vendors and promoters, we fear that shareholders have much to regret from the point of view of their own indulgence. If they will persist in finding money for all kinds of airy schemes it is impossible to stay their thirst for wealth by legislation, and so far the trend of company law reform has been in the direction of making the law of the promoter and vendor a very unhappy one. We quite agree with regard to the suggested legislation in connection with what are called "prospectusless" companies; we quite agree also that the Committee of the Stock Exchange might do very much to assist in staying the introduction of undesirable companies to the market, but we cannot see that directors on a board representing

minority shareholders would help the position one bit. It only means that the board itself becomes divided into classes, and thus the very object of a board of directors would be vitiated.

The Prevention of Corruption Act. Our contemporary *The Financial News*, in a recent issue, mentions that the standard text-books on partnership in all cases draw attention to the desirability of a provision being included in partnership agreements enabling a partner to charge against the firm expenditure incurred by him for entertaining customers and others, with a view to consolidating and extending the connection of the business. Such a clause, it is thought, provides for and acknowledges a state of affairs which has now been rendered illegal by more recent legislation, and there can be little doubt that the Prevention of Corruption Act does aim at abolishing various forms of entertainment and treating which had previously been regarded as customary and desirable. As to precisely where the new Act will come into operation, and what classes of transactions of this description it will not touch, time alone can show. In the meanwhile, however, it is perhaps as well to mention a point apparently overlooked by our contemporary, that a clause such as that referred to contained in articles of partnership is, of course, now void, in so far as it relates to transactions that have been declared illegal by the new Act, for obviously two or more persons cannot effectively contract to commit an illegality.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Income Tax on Bank Interest.

(*To the Editor of The Accountant.*)

Sir,—Referring to the letter signed "Burgh," in your issue of January 5th last, I have a similar case to deal with, and so far am unable to persuade the Board of Inland Revenue to allow any claim. If your correspondent would kindly supply me with (to enable me to use it) the numbered reference given him by the Secretary to the Board in their last communication with him, I should be very much obliged to him and to yourself.

Yours faithfully,

T. F. SHARP.

Cardwell Chambers, Marsh Street, Bristol.
April 27th, 1907.

Accountancy in the Transvaal.

(*To the Editor of The Accountant.*)

Sir,—I have read this week for the first time the article headed "Accountancy in the Transvaal," which appeared in your issue of the 26th January last. It reached me at the height of my election campaign and was put on one side and overlooked.

I beg that you will allow me to give the most unqualified contradiction to your statement that I tried to involve my professional *confrères* in a dispute with which they were apparently in no way concerned. I also made no attempt to suggest that Transvaal accountants' certificates are biassed by political motives, nor did I adopt a line of action calculated to suggest that all members of the Transvaal Society of Accountants placed party ideals above professional principles, and are, therefore, professionally unreliable. If I could contradict anything with still greater emphasis, it would be the statement that I thought it possible anyone could have imagined that the Transvaal accountants were as a body unreliable where their political opinions were at variance with their professional duties.

To turn now to the correspondence you publish, the first extract to which allusion is made is the last paragraph of my letter of 23rd May 1904, written therefore two and a-half years before, and without any thought of publication. It reads as follows:—

"With regard to the former point may I state that "by dismissing me on political and not on professional "grounds you hold out all other accountants here who "are auditors of your companies as retaining their "appointments on the condition that at least they do "not oppose your policy on matters affecting the "government of the country. This cannot but react "upon their professional standing and reputation for "independence, by injuring which you must at the same "time lessen public confidence in the published state-"ments they confirm."

In this paragraph I point out that the action taken in my case would, in my opinion, tend to discredit my profession in the eyes of the public. There is no suggestion whatever that my *confrères* would not fulfil their duty to the full, or that their certificates would be biassed by political motives.

This is the position which is again dwelt upon in my letter of 12th December 1906, for in the interim I had not changed the opinion previously expressed, and so far from involving my *confrères*, the statement in this letter is that the action taken casts a wholly undeserved slur upon their independence.

During the seventeen years I have resided in this country I can fairly claim that no one has worked harder to improve the status and strengthen the accountancy profession in this country than I have, and to suppose that in this instance I have gone back on my whole professional record is more than any fair-minded person will imagine.

So far from bringing by brother accountants into my quarrel I stand between them and an attack which I foresee, and this position, and no other, is consistent with my whole professional life and work.

Yours faithfully,

HOWARD PIM.

Johannesburg, 2nd April 1907.

Depreciation, with Special Reference to the Accounts of Local Authorities.

(*To the Editor of The Accountant.*)

SIR,—Your correspondent Mr. George Swainson, in his interesting letter in your last issue, appears to be anxious to read into my paper on Depreciation more than it contains. Those of your readers who have taken the trouble to make themselves acquainted with the contents of my paper will, I think, see that there is not very much common ground between Mr. Swainson's views and my own.

With regard to the Bolton Electricity Accounts, I have no desire to criticise the accounts of individual local authorities, nor have I the time to make the necessary examination to attempt any but the most superficial comment. As, however, your correspondent asks what further reliable data I would consider necessary in addition to that given in the Bolton Electricity Accounts in order to determine whether or not the statutory Sinking Fund instalments are sufficient to obviate the necessity of a special provision for Depreciation, I may point out that these Accounts give no information whatever as to the dates of Capital Expenditure, nor as to the dates when the Loans were issued out of which such expenditure was incurred, the periods for which they were authorised, the prescribed mode of provision for repayment, or the estimated working life of the capital assets acquired. The Bolton Electricity Accounts are undoubtedly clearer than many; but, even in this case, there is an entire absence from the published Accounts of such reliable data as will enable competent persons to ascertain for themselves the real position of affairs.

Your correspondent's assertion that two-thirds of the municipal debt of England will be wiped out or provided for in twenty or thirty years' time remains to be verified.

Yours faithfully,

LAWRENCE R. DICKSEE.

29th April 1907.

Depreciation.

(*To the Editor of The Accountant.*)

SIR,—If Mr. Hy. Sherley Price had read my paper on Depreciation carefully, he would not have made the groundless criticisms contained in his letter appearing in your issue of the 27th inst.

Accountants do not undertake to fix rates of Depreciation, and my paper suggests that this should be done by the engineers, or other competent officers of an undertaking, or by professional engineers, either of whom we may assume to be capable and honest.

Again, I have not fallen into what Mr. Price calls the fatal error of supposing that anyone can fix rates of Depreciation which shall hold good over a long period of years. On the other hand, I would have effective inquiry made, from time to time, into the actual condition of each class of productive plant, followed by revision of Depreciation rates whenever necessary. This is referred to in that part of my paper which appears on p. 534 of *The Accountant* of the 20th inst., as follows:—

> "Many years' history of hundreds of different classes of productive plant can be recorded in a Register of this kind without any confusion; and if, during the life of any class of productive plant, it is found, in the light of subsequently acquired knowledge, the original estimate was either over or under the mark, this can be adjusted, and effect given to it so as to provide for the

then unexpired balance appearing in the Register being written off over any altered remaining period. Thus an effective review or survey of the financial position of an undertaking keeping a systematic record of this kind could be carried out periodically with considerable precision, and effect given to any altered conditions of some of the classes of productive plant by suitably modifying the economic life period in the Register of Plant to meet the new circumstances, and, further, there would be a permanent record of this always available."

Yours truly,

London, 29th April 1907. P. D. LEAKE.

The Law affecting Partnership.

(To the Editor of The Accountant.)

SIR,—In the lecture by Mr. Lawrence J. Kirkham on Partnership Law, in *The Accountant* 20th April last, the following paragraph (on p. 527) appears:—

"But, where there is no joint estate and all the "partners are insolvent, joint creditors and separate "creditors will rank *pari passu* for dividend out of the "separate estates (*In re Budgett*, 1894, 2 Ch. 557)."

I should like to ask if this means that the whole of the separate estates should be "pooled" as the wording seems to suggest, or have the joint creditors the option of proving in that separate estate which they think would be most advantageous to their claims?

If this is not correct I should be glad of an opinion as to the procedure in such a case; also would the existence of a very small amount of assets in the joint estate be sufficient to affect the position?

Yours faithfully,

29th April 1907. ARTICLED.

[Our correspondent misquotes us. We will deal with the matter more fully next week.—ED. *Acct.*]

Gross Profit.

(To the Editor of The Accountant.)

SIR,—I am glad to learn from your reply to "X. Y." that there are some provincial retail butchers who are capable of earning a gross profit of 20 per cent. and upwards on the sale of "English" meat.

Surely the only right this meat can have to be called English is that the live stock must have been slaughtered on arrival at Deptford or Birkenhead.

My experience shows that on the sale of genuine "home fed and home bred" English meat a butcher should consider himself fortunate if he makes a gross profit of from 14 per cent. to 15 per cent.

Yours faithfully,

30th April 1907. GENUINE.

The Institute of Chartered Accountants in England and Wales.

The President's Dinner.

THE President of the Institute (Mr. W. B. Peat, F.C.A.), gave a Dinner in the Hall of the Institute, on Tuesday evening the 30th ult. Among those present were the Vice-President, Mr. John B. Ball; Lord Armstrong, Lord Claud Hamilton, Lord Joicey, Hon B. L. Barrington, Hon. W. Peel, Sir Thomas Barclay, Sir Hugh Bell, Bart., Sir John Craggs, M.V.O., Sir Walter Fisher, Sir Christopher Furness, M.P., Sir Charles Owens, Sir W. W. Portal, Bart., Sir Thomas Wrightson, Bart., Professor H. E. Armstrong, Major J. Eustace Jameson, Mr. H. Attlee (President the Law Society), Mr. H. Gaskell Blackburn (President Leeds and District Society of Chartered Accountants), Mr. J. Cecil Bull (President Institute of Secretaries), Mr. A. P. Carryer (President Leicester Society of Chartered Accountants), the Hon. George Colville (Secretary of the Institute of Chartered Accountants), Mr. Ben. Cookson (President Liverpool Society of Chartered Accountants), Mr. Robertson Durham (President Society of Accountants in Edinburgh), Mr. William Evans (Inspector-General in Bankruptcy), Mr. Walter Gath (President Nottingham Society of Chartered Accountants), Mr. Howard Heaton (President Birmingham Society of Chartered Accountants), Mr. Archibald Hewat (President Faculty of Actuaries, Scotland), Mr. George Langridge (President Surveyors' Institution), Mr. Robertson Lawson (President Association of Scottish Chartered Accountants in London), Mr. James Martin (Secretary Society of Accountants and Auditors), Mr. F. H. Metcalfe (President Sheffield Society of Chartered Accountants), Mr. W. G. Rayner (President Society of Accountants and Auditors), Mr. Frank B. Wyatt (President Institute of Actuaries, London), and Messrs. John Aird, W. Ashworth, Jarvis W. Barber, J. H. Blackburn, Thomas Bowden, Eric M. Carter, S. G. Cole, Ernest Cooper, Ernest Edmonds, J. A. Forster, W. H. Fox, John Gane, A. H. Gibson, T. Gregory, John G. Griffiths, J. E. Halliday, B. W. Hardcastle, J. S. Harmood-Banner, M.P., A. C. Harper, J. M. Henderson, M.P., Daniel Hill, Edward Hobbs, Leslie Hunter, F. A. Jenkins, H. Woodburn Kirby, J. Dix Lewis, J. G. Litton, Thomas Markby, John Mather, A. O. Miles, M. Muir-Mackenzie, Arnold S. Munns, J. G. Nairne, G. B. Nancarrow, H. A. Olivier, T. A. Onions, R. B. Petre, F. W. Pixley, W. Plender, T. R. Ronald, G. H. Ryan, S. Simmelkjor, John Smith, C.B., G. Sneath, John Stevenson, Edwin Waterhouse, Thomas A. Welton, A. F. Whinney, F. Whinney, Thomas Wise, J. W. Woodthorpe, F. J. Young.

After the usual loyal toasts,

Lord CLAUD HAMILTON proposed the toast of "The Houses of Parliament," coupling with it the names of the Right Hon. Lord Joicey and Sir Christopher Furness. A good deal had been heard of late, he said, as to the arbitrary conduct of the House of Lords in "overriding the mandate of the people"—a very convenient and useful phrase to use in times of agitation—and of the consequent necessity for a reform of the House of Lords, or, as some would urge, of its total extinction. Those attacks had been heard of on previous occasions, and they generally arrived at a time when there had been the advent of a Radical majority in the House of Commons—(laughter)—but the result which had followed those agitations had always been *nil*. He was bound to admit that the present attack upon the House of Lords was of a much more serious character, and was more united in regard to those who made it than that of any previous occasion. The whole question really resolved itself into this—were we in this enlightened kingdom, or were we not, to have a second Chamber? He did not believe any sane Englishman would answer that question in the negative. If we were to have a second Chamber could we improve upon the House of Lords? He had travelled a great deal and had studied the Assemblies of many countries, and had arrived at the conscientious conviction that for ability, integrity, learning, and debating power no second Assembly in any part of the world was comparable to our House of Lords. (Cheers.) He was very glad to think that, at all events, there was one gentleman present who was of that opinion, and who clearly felt that the House of Lords was superior to the House of Commons—he referred to the noble Lord who would return thanks for that Assembly, who, of his own free will, left the one body to enter the other. Possibly they might by judicious means reform the House of Lords, and if they could improve it he was sure every loyal subject of the King would be pleased; but those who attacked the House of Lords must always remember that, if that House were improved by reform, its power and influence in the Councils of the nation were pretty sure to increase. As regarded the House of Commons, it was really a very difficult task for one like himself, who for many years was a member of that body, to say anything in cordial approbation of the present House of Commons. (Laughter.) He believed—though his opinion might not be worth much—that the existence of that body would not be so long as many people imagined, but he was pretty sure that when it expired the expenditure on the part of the general public in mourning attire would not be excessive. (Laughter.) It must be recognised, however, that the House of Commons was there, with all the power which it was entitled to exercise, and he trusted that the gentleman who would respond in the name of that House and men of the same high position as himself in Parliament would use their best endeavours to restrain the impetuosity of their newly-elected friends, because he was certain if they did that it would have one effect—it would relieve the noble lord on his right (Lord Joicey) of a great deal of anxiety and responsibility when the moment came for him to decide as to whether he should reform or vote against those many measures which in a very short time would be sure to reach the House of which he was a member from the friends of Sir Christopher Furness. (Laughter.)

The Right Hon. Lord JOICEY, in responding, said it was a great pleasure to him that the toast had been proposed by Lord Claud Hamilton. Lord Claud Hamilton was an old member of the House of Commons, at a time when his Lordship and himself used to sit and look at each other, and sometimes, he had no doubt, shout at each other—(laughter)—but they were not always in harmony in regard to the various measures which were brought before the House. They could not therefore expect that in their old and serious age they would be of the same opinion as each other in regard to every little detail of the important questions which were brought before the country. He confessed that after an experience of twenty-one years in the House of Commons, with all its worries, anxieties, and responsibilities, having to deal with his constituents, to help his Government and his party—to say nothing of the great interests of the country—(laughter)—by going in for all-night sittings and wasting his tissue in struggles of that kind, he did not think those present would be surprised that he felt a great relief in being passed on to the Upper Chamber, where everything was so smooth. But while in the House of Lords he had had the experience of endeavouring to promote the legislation of the country, and he was certain of one thing, that if he took any action against his own party he would always receive the warm support of the majority. (Laughter.) He found the House of Lords quite a different atmosphere from that of the Commons, but he was bound to say it was precious dull. (Renewed laughter.) In the House of Commons there was constant activity, constant war, any amount of noise; one felt that he was at the very heart of affairs. In the House of Lords one felt as if he had been put upon a shelf and there he must take things as they came. He admitted the debating power of the House of Lords. There were in that House men of the highest intellectual power and of the greatest knowledge of affairs, but unfortunately so far as their voice and their personal opinion were concerned they had a very limited audience, and that audience was generally of the same way of thinking as themselves. There was a difference between the House of Commons and the House of Lords. The House of Commons being a directly representative institution of the people, every constituency having its own member, the eyes of every elector

were fixed upon it; they took, in fact, the very greatest interest in the House and its doings. The House of Lords, he was afraid, did not create the same interest in the country. He realised that it was a very ancient institution—one which had done good service in its day and which would, he hoped, continue to do so. But he was not one of those people who said that while the House of Commons had moved with the times and been able to pass various reforms of its own constitution and working, the other Chamber was so effete that it was unable to reform itself. While he was thoroughly of opinion that this country, like every other country in Europe, would insist upon having a second Chamber, he did not see what the House of Lords had done that it should be prevented from reforming itself if it so desired. (Cheers.) He looked forward to the time when that House, instead of being the weaker part of the Constitution, as it was looked upon now, would be the stronger part, and would be so reformed and be more representative in its character that it would add lustre to its past; because he felt sure that this great Empire was going to continue, and continue in a way that no Empire in the world had ever done, and he felt confident that the representative institutions—the House of Commons and the House of Lords—would make it stronger and even better than it had ever been at any previous time of its history. (Cheers.)

Sir Christopher Furness, M.P., said he was very glad to respond to the very kind invitation of the President to be present that night. It was quite true that those who were engaged in the trade and commerce of the country had a very close acquaintance with many members of the Institute. They had heard from Lord Joicey that he was very happy in his present surroundings, in spite of the fact that they were told, through the daily papers, that the House of which his noble friend was so distinguished a member was soon to be demolished. (Laughter.) He congratulated the members of the Institute upon having secured the presence of noble lords at this banquet before that House was extinguished. (Renewed laughter.) He personally was rather inclined to think the situation was taken in very properly by the Labour member who, being present on the occasion of the opening of the House of Lords by his Majesty, and being impressed by the magnificence of the surroundings, said, "Don't you think they will take a lot of shifting?" (Laughter.) It was just possible that at similar banquets to the present they might occasionally have a member of the House of Lords sitting at their table. It must be remembered that the House of Commons did not exist for party ends. While the House stood out to-day as the most democratic assembly in the world, it must not be forgotten that the King's writ called for representative men to take part in the good government of their country, not for the approbation or the condemnation of any political party. (Hear, hear.) Whatever the complexion of the Government of the day might be, it was charged primarily with the conduct of the nation's business, and although the House of Commons existed for the State and not for party there was little doubt that the party system in this country at its best was for the advantage of the nation at large. He readily admitted that in the aims and ideals of its individual members there must be strong differences in every party, but, after all, they must remember that the House of Commons was the mother of all Parliaments. It was an Institution of which we as Englishmen had a right to feel proud. The English Parliamentary system had long been a pattern for the nations of the world and a model for those great self-governing Colonies whose Premiers were now gathered in conference with us at home, and who by the interchange of ideas were searching out how best to weld into one strong and mobile federation the peoples who owned his Majesty the King their Sovereign head. He was one of those who believed that this country would always maintain the traditions of the past. (Cheers.) It was perfectly true that in times like the present those who had certain ideas were somewhat afraid of the extreme views of others, but whatever might be their political views they might always remember that the British House of Commons was a most tolerant House, and would respect a man not by reason of his high birth, but by reason of his character which he would be able to produce in that Assembly. (Cheers.) They might depend upon it that, whilst some people might fear that there was a little danger that we in this country were drifting too much into Socialism, the one thing we might claim in this country was that individualism, enterprise, and perseverance would always be rewarded, recognised, and acknowledged, and we in this country had nothing to fear in the future. He appreciated the high honour which had been conferred upon him in his being invited to meet the members of the Institute, who were so deeply interested in the trade and commerce of the country. (Cheers.)

Sir Hugh Bell, Bart., next proposed the toast of "The Institute." He confessed to a feeling of surprise that in a distinguished company such as he was addressing a poor provincial like himself should be invited to propose the toast of the evening, but Lord Melbourne had stated that one reason why he regarded the Garter as a very distinguished reward was because it had nothing to do with any infernal considerations of merit—(laughter)—and it was precisely those rewards which came to men entirely independent of their merit that they most cherished. He accordingly very greatly valued the fact that he was permitted to offer for their acceptance the toast of the evening; and when he came to consider under what circumstances he should have been so chosen he confessed he could find a defence for their esteemed President,

for he believed he might safely assert that there was hardly one man in that room who had known Mr. Peat and his firm longer than he himself had. He knew and very highly esteemed—as did everyone who had the honour of his acquaintance—the founder of the firm, Mr. Robert Fletcher. (Applause.) He had known Mr. Peat ever since he came to business, and he had learned, as he knew him better and better, to esteem him more and more. He might therefore conclude that it was for this reason that he was privileged to invite that assembly to drink the health of their very good selves, the Institute of Chartered Accountants. There could be no doubt of the immense value of this Institute to those who, like Lord Claud Hamilton, Lord Joicey, Sir Christopher Furness, and several other of their guests, including himself, were engaged in the multifarious and complex details of commerce at the present time. As business got more and more complicated, so it became increasingly necessary that those engaged in it should have the expert assistance of the accountancy profession in guiding them through the complicated details with which they had to wrestle. The Charter of the Institute dated from 1880, and as Chartered Accountants they were undoubtedly, if he might venture to say so, the product of the Limited Liability Companies Acts of 1862 and onwards. Had it not been for those Acts it was very doubtful whether the profession, which had become so important, and towards whose well-being those whom he was addressing had contributed so much, would have occupied the position in the eyes of the world which it did to-day. He was clearly of opinion that the existence of an Institute such as theirs was most desirable for the well-being of the commercial world. It was most advisable that they should lay down a standard of proficiency, of capacity, and of honesty which would make commercial men sure that when they applied to members of that body for assistance they were getting that competent expert opinion which they desired. Speaking, therefore, as a man somewhat largely interested in the commercial affairs of the country, it gave him very great pleasure indeed to testify by his presence that night to the esteem in which the Institute of Chartered Accountants was held, and to be permitted to offer this toast for their consideration. (Cheers.) He was allowed to couple with the toast the name of Mr. Peat, their President. (Cheers.) He had already stated that he had known Mr. Peat for more years, perhaps, than that gentleman and himself altogether liked to go back to. They were counted by more than the score —by well on to the two score, and perhaps rather more than that; and he was bound to say it afforded him very great pleasure to see Mr. Peat occupying the position to which he had attained in connection with that Institute. (Cheers.) He hoped he was not indiscreet in referring to the fact that this Institute had benefited by Mr. Peat's generous donation towards its funds. (Cheers.) It was characteristic of that gentleman that he should in the first place choose the name of his master and former partner, Mr. Fletcher, for the first of his benefactions, and the name of his wife for the second. (Cheers.) In those two acts he behaved only as his (the speaker's) long knowledge of him would have made him anticipate Mr. Peat would behave—with a generosity and a delicacy which did credit to him, and which, if the remark might be permitted, did credit to the Institute also. (Cheers.) He asked those present to drink to the health of the Institute of Chartered Accountants, coupling with the toast the name of his very good and valued friend, Mr. William Barclay Peat. (Loud cheers.)

The President, who was very enthusiastically received on rising to respond, said he was very grateful for the remarks which Sir Hugh Bell had made in regard to himself. Those remarks were, as usual with Sir Hugh Bell, couched in the most admirable and well-chosen language, and he felt some difficulty in replying to the toast which had been submitted. He, however, would only for a short time occupy the attention of those present, and he would use that time in telling them somewhat of the advancement of the Institute of which he had the honour this year to be President. It was, as Sir Hugh Bell had told them, 27 years old, having been founded in the year 1880. At that time there were some 500 members; to-day there were nearly 3,700. The question which one asked on the present occasion is why the growth of the Institute had attained these great proportions in such a comparatively short time. To find that it was necessary for him to go back, as Sir Hugh Bell had said, not quite forty years, but at any rate thirty, because it was thirty years since his first appearance as a partner in the firm of which he was now the senior partner. If he were to recall the state of accounts which one was in the habit of seeing in those days—inefficient accounts which did not in any respect whatever compare with those in existence at the present time—he thought it would be of interest to those whom he was addressing. If anyone took the Balance Sheets of twenty-five or even twenty years ago and compared them with the Balance Sheets of to-day would they not find that in the Balance Sheets of to-day they had information, details, and certificates which, by comparison with those which existed twenty-five years ago, were far and away superior in all the points that a shareholder required to see in the Balance Sheet which was presented to him. Those changes, he considered, had arisen in a great measure from the services of Chartered Accountants. (Hear, hear.) In his early days he had a recollection of a company whose accounts he was called upon to reconstruct. The system in vogue at the time he mentioned was that the partners in

that firm—it was a mining company—met monthly and divided the bank balance. (Laughter.) As far as he ever found out, there was no statement of accounts except the bank book. (Renewed laughter.) Well, that was all right at the time. Profits were plentiful, and the bank balance had already stood the charges to Capital Account; and whatever was the surplus, apparently, was the profit; and so those concerned were content to divide it without ever inquiring as to what the mining costs were—there it was, the balance in the bank, and it was divided. That state of matters continued until developments arose, when it became necessary for an accountant to tell them precisely the position. That was an experience, doubtless, many accountants around him were well acquainted with. He had also a recollection of the gentleman to whom Sir Hugh Bell had so kindly referred—his old partner, Mr. Fletcher—telling him on one occasion, some twenty-five years ago, that he had been called upon to examine the accounts of some small railway company, the name of which was forgotten. Mr. Fletcher went to the office of the company; he found the directors and the secretary, and asked, "Where are the books?" The secretary said, "Here, sir, is the only book which we possess," and that was a Bank Book. (Laughter.) Imagine in these times—1907—shareholders or directors being content with a Bank Balance Book representing the transactions of an industrial concern, however great or however small. Then they came, as regarded railway enterprise, to the developments which his friend Sir Charles Owens had said something about on more than one occasion—namely, the ton-mile system. The ton-mile system was a system of accounts which it taxed the energy of any accountant to produce, but it was a modern system of accounts which told them what is the cost of carrying a ton of watches or a ton of coals for one mile. Some people would tell them it was not material to know whether the cost of carrying a ton of watches was so much per mile as compared with the cost of carrying a ton of coal a similar distance. Other gentlemen, like his friends Lord Joicey, Lord Armstrong, and Sir Hugh Bell, came to the conclusion that to ascertain the ton mileage was a very necessary system of accounts. All that could be done and was done by the assistance of educated accountants, and without the assistance of educated accountants it would be impossible to go into such details. In commercial accounts also it had been found that the competition, not only of firms in this country, but of firms abroad, made it necessary that what were called Cost Accounts should be ascertained—that was, the cost of each individual item produced, down to the second or third decimal. That was a development of accounts which by comparison with the division of the bank balance to which he had just alluded was something very very different indeed. All that had evolved in the last thirty years, and it had been found necessary in evolving it to employ not only the few accountants who existed thirty years ago, but also the 3,700 accountants who were members of the Institute of Chartered Accountants to-day, and also a large body of accountants who did not belong to the Institute at all. That feature of the increasing number of accountants was a phenomenon not alone limited to the British Islands, where British, Scotch, and Irish Chartered Accountants and the Society of Accountants and Auditors numbered altogether something like 6,500—and he would just say in passing how pleased he was to be able to welcome the President of the Society of Accountants and Auditors. (Cheers.) In addition to their own members employed in this country, the Institute had over 220 members in British Colonies and abroad; there were twenty Societies of professional accountants in the United States of America, there were ten Societies in Australia, six in India, two in South Africa, and their members abroad helped to build up that union between the Colonies and the Mother-country which was so important and was so much discussed at the present time—(cheers)—and helped also to solve that problem of Empire mentioned in the speeches of our Colonial Premiers. But the fact that there were all those accountants not only in this country, but also in our Colonies and abroad, showed the great and increasing demand there was for members of their profession—a demand which had commenced and grown and come to fruition within the past thirty years, and which, as far as he could tell, seemed to be growing constantly and steadily, because the additions to the membership of the Institute did not decrease, but rather increased year by year as time went on. (Cheers.) He would ask, with regard to this great number of public accountants, Chartered Accountants, Incorporated Accountants, and Colonial accountants, what was it that the public looked for from our Institute, which was the recognised leading body of professional accountants? The public looked to them for training and skill in accounts. They looked to them for protection from employing unqualified men. They looked to them for statutory responsibility; but, alas! they gave them no statutory protection. Now, he said that the public demanded that statutory protection — statutory protection from the unqualified men who presented themselves to the world as public accountants and who had no claim whatever to describe themselves in that capacity. The evidence of that would be found in the fact that in the State of New York legislation had already been passed to protect the title of "Certified Public Accountant." In the Colony of the Transvaal—the newest of the Colonies—they had restrictive legislation which had unfortunately been so restrictive

that members of the profession might not go there and establish themselves unless they had a residential qualification. That was a condition of things which the Council of the Institute greatly deplored, and which they were doing their best to avoid. They had in Australia, in Natal, and in New Zealand, the demand of the public for some form of registration of public accountants which should protect the public from unqualified practitioners. That demand of the public, in his opinion, was not surprising. Doctors, lawyers, veterinary surgeons, dentists, and others, were protected by statute, but accountants, charged with duties and with interests no less important than the duties and interests entrusted to lawyers, doctors, and others, were not protected from competition by men calling themselves public accountants, but with no claim whatever to that title or capacity to discharge efficiently the responsibilities which they sought to undertake. What had the Institute of Chartered Accountants done to merit confidence? They had 3,700 skilled accountants who were employed, nearly every one of them, in following the profession for which they were qualified. They had in the past thirty years examined candidates exceeding in number 15,000. They had in the past year examined candidates for entrance into the profession to the number of about 1,100. and in every respect they did all they could to merit the confidence which, he was happy to say, was still placed, and placed unreservedly, in the members of the Institute of Chartered Accountants. The Chartered Accountant was a product of British people—Scotland, England, Ireland all produced the genus. They gave a certificate of qualification. And if he had the inwardness to profit by his experience, he gained and merited what was the breath of life to a Chartered Accountant—public confidence. The accountant, as they knew him, was a modern production evolved from the needs of commerce, demanded by the investor in the great joint-stock enterprises of the day—was a lover of truth with a determination to express it. They did not go back to mythical days for their origin, although it had been said that specimens were to be found in Italy some centuries ago. If that were so they were prehistoric, of the neolithic age; they claimed no forefathers, because, as regarded the present needs of accountancy, they were the founders of their race. It was before the tribunal of the public that they sought to justify their pretensions to be a necessity to modern commerce, to have that legislation which would protect their title from being usurped by unauthorised persons, to have the selection of those called upon to perform the onerous and responsible duties required from them limited to the professional accountant, who, by experience and training, was fitted for such duties, and who, failing to discharge them honestly, lost not only money but what he prized more highly—honour, reputation, and position. (Hear, hear.) While they as an Institute sought to apprehend the duties cast on them and to fulfil them, mindful of the lines:—

> One bugle note, our only battle call,
> One single watchword, Duty, that is all—

then he thought their Institute could look forward to a future as progressive and prosperous as had been their experience in the past. (Loud cheers.)

Mr. Edwin Waterhouse, F.C.A., said he had been requested by the kind host of those present, whose simple wish must be their law, to propose the next toast—namely, "The Legal Profession," which, he was sure, would be cordially received, no matter what might be the shortcomings on the part of the proposer. If they took a glance round that hall they saw among the company present evidence that the legal profession was one which was very highly esteemed by, and stood very high in the affections of, their worthy President. He thought he might say that the Institute most fully agreed with their President in that feeling. He had heard it said that there was a time when a portion of the business practised by solicitors was taken away from them by accountants. That must have been a very long time ago. He was never conscious of such a thing himself. It must have been, he thought, before the days when bookkeeping was a profession and accountancy one of the fine arts. There was nothing of the kind now, at any rate. There was business enough for them all, and a profession was not like a store which could be drawn upon for everything and anything under the same roof. Their relations with their friends the solicitors were on a most amicable basis. They looked upon the Incorporated Law Society as a time-honoured institution, with a long roll of distinguished members dating back now nearly 100 years, and accountants felt that that Society viewed this Institute with a kindly regard, due to an association which at any rate had made a good beginning, and appreciated the fact that it was organising the profession of accountants not only for the benefit of its members, but also for the benefit of the public at large. That the members of the body of solicitors looked upon the Institute with some favour was instanced by a whisper which reached them not many weeks ago, and which emanated from those awe-inspiring walls in Chancery Lane, that there were certain members of the Incorporated Law Society who were of opinion that it might be desirable if every member of that Society had at his elbow, or at any rate within call, a Chartered Accountant, who might to some extent look after his financial affairs, and at any rate safeguard the tuum which was entrusted to the solicitor's hands from being mixed up too much with the meum. Well, he did not him-

self know what the result of that discussion was, and was not in a position to judge whether they as accountants would have been able to render much service in that respect. But of this he was confident, that if they reversed the order and considered what the solicitors did for them, he thought they might say that as accountants they would do very badly if they had not, all of them, a solicitor at their elbow who was able to look after and recover for them, and for their friends whose interests they had to guard, the meum which occasionally got stuck into the hands of third parties. In proposing this toast he must not omit an expression of the sense of their indebtedness to the higher branch of the profession, to the members of the Bar, and to those distinguished members of the Bar who rose to the dignity of the Bench. His Majesty's Judges had frequently expressed their good feeling towards the accountancy profession, not only upon occasions when they might have to appear before them and render an account of their own doings or the doings of others, but also on occasions like the present, when they had expressed their encouragement and their sympathy with the Institute in its endeavours to organise the profession and make it of use in the commercial world. He need only remind those present what a very present help in times of trouble and difficulty the members of the Bar had always been to the accountancy profession. It had been one of the greatest pleasures of his life, and had given him one of the greatest intellectual treats he had ever had, to be allowed to sit in conference or consultation with members of the Bar, and hear their learned talk as they gave their reasons for the inclination of their opinions to one side or the other on some knotty point. As accountants they owed much to them for all they had done for the profession. He might add that on some occasions they might have been some little use to members of the Bar. A circumstance recalled itself to his memory in which a learned K.C. was appointed arbitrator in a matter in which some complicated accounts had to be taken into consideration, and after a two days' sitting, in which learned counsel on both sides put their arguments before him, he was apparently not much more forward in his view of the case than he was at the beginning. He happily turned to the agreement for reference, and found the wording allowed him to take a peculiar course. It was left to him to state how certain disputes should be settled. He made an award to the effect that it should be settled by a Chartered Accountant, and in so doing there was no doubt he was right, for when the matter came before him (the speaker), although he had the benefit of the arguments of counsel on both sides, he found that double-entry was the key to the solution of the problem. It was not the arguments of the counsel, but a little double entry which enabled him to arrive at a result which was satisfactory to himself, and which he believed was equally unsatisfactory to both parties in the dispute. (Laughter.) He coupled with the toast the names of Mr. Muir Mackenzie and Mr. Henry Attlee. The first-named gentleman, he said, was one of the Official Referees, and the Chairman of the Committee which was now sitting to consider amendments in the bankruptcy law. Mr. Attlee was President of the Incorporated Law Society, which they all esteemed, whose example they wished to follow, and whose prosperity they all sincerely desired. (Cheers.)

Mr. M. Muir-Mackenzie said it was with peculiar pleasure that he heard the eulogistic terms in which the toast of the profession to which he belonged was proposed, and the cordial way in which the assembly had received it, because he felt, after a long professional experience, that between the profession of the Bar and the profession of accountancy there had grown up an *entente cordiale*, which he thought had ripened, or would ripen, in diplomatic language, into a permanent alliance. And it should be so, for, after all, the two professions had one thing in common—namely, that the public and the business community when in difficulties could not do without them. When not in difficulties the public and the business community were fond of grumbling at the professions. Their lawyer did not understand their case; their medical man did not understand their malady; their accountant did not really understand the difference between capital and income. (Laughter.) But when they were in difficulties, it was to the professions they came. They heard and read that there were enthusiastic social reformers who looked forward to a day when the barrister would have no occupation and the accountant would have no Balance Sheet to audit—when there would be no property to dispute over. Those who lived to see that day, if they were under forty, would walk the streets as unemployed; if they were over forty, or had reached the age of sixty, they would lead a wholesome existence on a pension of five shillings a week, paid weekly, and which the recipient could be assured would not on his bankruptcy pass to the trustees. (Laughter.) But until that happy time came in the profession of the Bar and the profession of accountancy they would jog along; and, as far as regarded his own profession, it was increasing—it was penetrating to every part of the British Empire. There was nothing more interesting than to be in the halls of one of the Inns of Court when students were dining, and when they saw present men of every station, of every colour, all engaged in the study of what he believed to be the finest system of law in the universe. (Cheers.) The professions of law and accountancy had this great point which commended them to the public, and which would make them to endure—namely, that it was not ability and industry alone which led to success: it was integrity and a high

sense of honour. (Cheers.) He believed that as long as his profession and the accountancy profession adopted that high standard of honour which now prevailed, and practised it, so long would their profession endure and so long would his professions receive the same cordial approbation from theirs that it had received that night, and which theirs would receive in any assembly of barristers which they were good enough to honour. (Cheers.)

Mr. H. ATTLEE said he was not at all surprised to find that the words which fell from Mr. Waterhouse were words expressive of the good feeling which existed between solicitors and Chartered Accountants. He had referred for a moment to the possibility of there being a jealousy on the part of the branch of the profession to which he (the speaker) belonged. No such feeling existed. As solicitors they all felt that accountants aided them greatly in the administration of the affairs which were entrusted to them by their clients. The very best relations existed between solicitors and accountants. There was no room whatever for jealousy; but year by year, as he thought accountants would agree, the feelings which existed between them were feelings of mutual respect, which grew closer and closer as time passed on. (Cheers.) How greatly they, as solicitors, valued and appreciated the help of accountants, how much they were helped in their work and how greatly they desired to see that Institute flourish! The Law Society sought to do for his profession exactly that which this Institute sought to do for the accountancy profession, and he thought both of them would work together in harmony, doing everything they possibly could to make the commercial life of England stand, as it always had done, in bright contrast to that of every other nation as being at once governed by the strictest integrity, and that all their doings were done with the highest possible honour. He thought the preventive work of both solicitors and accountants could hardly be measured. (Cheers.)

Mr. JOHN B. BALL (the Vice-President of the Institute) submitted the toast of "The Guests." This toast, he said, was so important that it included everyone present with the exception of the President, for they were all his guests. As, however, it was so late in the evening he would confine himself to saying how delighted he was to see so many distinguished gentlemen present, and would briefly refer to some of them individually. The first name he had upon his list was Lord Claud Hamilton, whose eloquence that evening in addressing them they had no doubt appreciated. His Lordship was Chairman of one of the great railways, and was connected with many important interests in London. Next there was Lord Armstrong, whose guns and warships were known all over the world. They were strong that night in railways, iron, and coal—very important industries to the United Kingdom—and had many distinguished representatives of those interests present. Lord Joicey was a great coal owner and was a railway director. Sir Hugh Bell was connected with important steel, iron, coal, and chemical industries. Sir Christopher Furness they all knew as a great shipowner—his ships were seen on all the waters of the world. Then there was Sir Wyndham Portal, whose firm had for 150 years been engaged in the manufacture of a paper of which many of them would like to have more in their safes and in their pockets than they had at the present time. (Laughter.) Sir Thomas Wrightson was known in connection with important engineering structures. Sir Charles Owens was the general manager of one of our great railways; Mr. John Aird was well-known in connection with the construction of the great Barrage at Assouan; Mr. Simmelkjor was the great gas engineer; and Major Jameson's connection with Scotch distilleries needed no pointing out. The speaker proceeded to name many other guests and to point out their official positions, as set out in the list of those present and he associated with the toast the names of Lord Armstrong and Sir W. W. Portal, Bart.

Lord ARMSTRONG said that night had been a revelation to him. This was the first time he had had the pleasure of dining with the Institute, though he had always known that the members of that body were very good at the art of adding up correctly—as their motto said—an art in which he was afraid he himself had always been found to be deficient; that they had always been very good at making the crooked paths of finance straight; he had not known they were such masters at the art of hospitality, and he was sure all the guests present would join him in saying what an exceedingly pleasant evening they had had. They had enjoyed themselves to this extent, that they would like to have a little more. (Laughter.) He hoped, therefore, that when they next had one of these delightful evenings those who were responsible for that banquet would not forget those who were their guests on the present occasion. (Renewed laughter and cheers.)

Sir W. W. PORTAL, Bart., said that when on the previous evening he received a telegram asking him to respond to the toast of "The Guests" at that banquet the postscript attached thereto gave him most profound consolation and comfort, for it said that Lord Armstrong would respond in the first instance to that toast. That gave him a degree of comfort which he could not adequately express. His Lordship's eloquent acknowledgment of the toast rendered any halting phrases that he might add totally superfluous. It had been said that a good portion of human happiness consisted in being given good books to read, good wine to drink, and good friends to talk to. As to good books, literature was pleasantly typified by the admirable menu of that

banquet. (Laughter.) With regard to good wine, they had had plenty of it. (Renewed laughter.) And as to good friends, they had only to look round the tables and remember that they had there the source of that warm welcome and kindly hospitality which they so fully appreciated, and for which they were so thoroughly grateful. (Cheers.)

Lord CLAUD HAMILTON apologised for intruding himself on a second occasion, but said he rose by request to propose that they should drink the health of the President. Mr. Peat and himself had been associated in business during the past ten or twelve years, and they had learned to be firm friends of one another. This result had arisen mainly from his appreciation of Mr. Peat's high character, great ability, and universal courtesy, and he hoped the feeling which he had experienced towards the President might be to some extent reciprocated on his part. He was bound to say that during that time Mr. Peat had never introduced to him the subject of railway ton mileage—(laughter)—for, if he had, that would have produced a cleavage which, he feared, would have lasted for ever. (Renewed laughter.) Might he be allowed to say that that subject was a mere fad—(laughter)—from the north-east, and was as deleterious to the railway interest of this country as were the north-eastern blasts from which they had been suffering of late?

The toast was accorded musical honours.

The PRESIDENT, in replying, said he was unable to find words to express his sense of gratitude for the kind way in which the toast of his health had been received. He had had the honour of being associated with his Lordship in business matters, and had greatly appreciated the advantage of his assistance, advice, and wise opinions. He trusted that in years to come the same relationship might continue. He had the honour of being President of the Institute for the present year, but he wished to say that those who had preceded him in that chair had borne the burden and heat of the day. The Institute had attained a position now which was beyond any complaint which could be made against it, and which forbade the possibility of going backwards. That position had been attained not through the work which he had been able to do, but through that of his predecessors. He saw sitting near him Mr. Whinney, Mr. Griffiths, Mr. Waterhouse, Mr. Cooper, and other gentlemen who had brought the Institute up to the position which it had the advantage of occupying at the present time—a position second to none, and one absolutely required by the commercial community of this country. (Cheers.)

The proceedings then terminated.

Council Meeting.

AT a special meeting of the Council, held on Wednesday, the 1st May 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present:—

Mr. W. B. Peat, President, in the chair; Mr. John B. Ball, Vice-President; and Messrs. W. Ashworth, J. W. Barber, J. H. Blackburn, T. Bowden, E. M. Carter, Ernest Cooper, Sir Walter Fisher, Messrs. W. H. Fox, John Gane, A. H. Gibson, T. Gregory, J. E. Halliday, J. S. Harmood-Banner, M.P., D. Hill, F. A. Jenkins, H. Woodburn Kirby, J. G. Litton, J. Mather, A. O. Miles, F. W. Pixley, W. Plender, T. G. Shuttleworth, W. A. Stone, Edwin Waterhouse, T. A. Welton, T. Wise, J. W. Woodthorpe, and F. J. Young.

The following person ceased to be a member of the Institute:—

Mr. William Teasdale, A.C.A., 44 Wall Street, New York, U.S.A.

At the ordinary meeting of the Council, held at the conclusion of the special meeting,

The Secretary reported the death of

Mr. H. L. Atkinson, A.C.A., Wolverhampton.

It was resolved that Certificates of Practice be issued to the following members:—

Armstrong, Hugh Kenneth (Monkhouse, Goddard & Co.), St. Nicholas Chambers, Newcastle-upon-Tyne.

Bairstow, Edgar, Thorpe Chambers, Hustlergate, Bradford.

Bennett, Ethelbert James, 44 Gresham Street, E.C.

Blease, Harvey (Blease & Sons), Fenwick Chambers, Fenwick Street, Liverpool; and at London.

Camm, William Unwin (Camm, Metcalfe & Co.), Market Place Buildings, Sheffield; and at London.

Cobley, George Hugh (R. Seymour Cobley), 36 Southampton Street, Strand, W.C.

Corbidge, William Gilling (Cooper Corbidge, Son & Co.), 19A Coleman Street, E.C.; and at Sheffield.

Cox, Harold Arthur, 52 & 53 Cheapside, E.C.

Duffield, Edgar William (Duffield & Smith), 12 Bennett's Hill, Birmingham.

Ford, Arthur Pelham (Ford, Rhodes & Ford), 81 Cannon Street, E.C.

Greaves, Alfred (Colefax, Head, Greaves & Co.), 2 Aldermanbury, Bradford.

Haythornthwaite, Charles Walter (Manley, Haythornthwaite & Co.), 20 Richmond Terrace, Blackburn.

Hennell, Bernard, 10 Old Jewry Chambers, E.C.

Hickman, William Murhall, 18 & 19 Great St. Helens, E.C.

Horsley, Harold Richard, B.A., 25 Abchurch Lane, E.C.

Jenkinson, William Veevers (Ibbetson & Jenkinson), 25 Pearl Assurance Buildings, Market Street, Bradford.

John, Alfred Owen, 21 York Street, Swansea.

Lucas, George Henry (Ernest B. Winn & Co.), 40 Bennett's Hill, Birmingham.

Major, Everard Pilkington, 3 Temple Row West, Birmingham.

Mantle, John Dewhirst, Lloyds' Bank Chambers, Leicester.

Meares, Cecil Stanley, 58 Coleman Street, E.C.

Menzies, Charles Reginald Wood (Campbell, Smith & Co.), Clarence Buildings, 2 Booth Street, Manchester.

Millons, Thomas Arthur Lauderdale (Darbyshire & Millons), Court Chambers, 19 Albert Road, Middlesbrough.

Newson-Smith, Herbert Henry (Newson-Smith, Lord & Mundy), 37 Walbrook, E.C.

Perks, John Hyde Haslewood (Baber, Perks & Co.), 5 Exchange Buildings, Corn Street, Bristol.

Plante, Arthur Gedge, Thanet House, 231 Strand, W.C.

Robson, Thomas (John A. Walbank & Co.), 34 Grey Street, Newcastle-upon-Tyne.

Stacey, Gerald Arthur, 79 Queen Street, E.C.

Street, John Gwynne (J. H. Merrett & Co.), 15 Coleman Street, E.C.

Welch, Wilmot (Geo. F. Clarke, Welch & Co.), Investment Buildings, 67 Lord Street, Liverpool; and at Earlestown.

Whitaker, Herbert, Post Office Chambers, Bute Docks, Cardiff.

A number of applicants were admitted members, and five Associates were elected to Fellowship. A list of those who complete their membership or Fellowship by the 16th inst. will appear in our issue of the 18th inst.

Twenty-Sixth Annual Meeting.

THE Twenty-sixth Annual General Meeting of the Institute was held on Wednesday, the 1st May, at the Hall, Moorgate Place, E.C., Mr. William Barclay Peat (the President) in the chair.

The Secretary (Hon. George Colville) read the notice convening the meeting.

The following are the

REPORT AND ACCOUNTS.

1.—The Council have to report that during the year ended 31st December 1906 245 candidates applied for admission to membership, of whom 232 were admitted; 13 former members applied for re-admission, 9 of whom were re-admitted; 35 Associates were elected Fellows, 29 members died, and 15 members resigned. Under Section 20 of the Charter, 7 members of the Institute were excluded in consequence of non-payment of their certificate fees or subscriptions, 3 members for other causes, and one admission became void in consequence of the entrance fee being unpaid.

2.—The number of members of the Institute on the 1st January 1907 was 3,585, as against 3,399 on the 1st January 1906, being an increase of 186. The variation is shown by the following tabular statement:—

MEMBERS.	Members on 1 Jan. 1906	Additions in 1906.			Total.	Deductions in 1906.				Members on 1 Jan. 1907
		Admissions.	Re-Admissions.	Changes.		Deaths.	Resignations.	Exclusions and Admission void	Changes.	
Fellows ..	829	1	1	*a* 35	866	16	5	4	—	841
Associates in practice ..	1500	9	4	*bc* 148	1661	10	6	2	*ade* 52	1591
Associates not in practice	885	216	3	*df* 19	1123	2	2	3	*bg* 172	944
Members not in England or Wales ..	185	6	1	*eg* 30	222	1	2	2	*cf* 8	209
	3399	232	9	232	3872	29	15	11	232	3585

(*a*) 35 Associates in practice became Fellows.

(*b*) 147 Associates not in practice commenced practice.

(*c*) 1 Associate not in England or Wales became an Associate in practice.

(*d*) 12 Associates in practice became Associates not in practice.

(*e*) 5 Associates in practice became Associates not in England or Wales.

(*f*) 7 Associates not in England or Wales became Associates not in practice.

(*g*) 25 Associates not in practice became Associates not in England or Wales.

3.—During the year 293 articles of clerkship were registered, as compared with 318 during the previous year.

4.—The Council have held 23 meetings, and the following Committees 75 meetings during the year, viz.:—

Applications	5	Library and Publication	3
Examination	6	Parliamentary and Law	13
Finance	11	Students Societies' Grants	5
General Purposes ..	12	Special and Sub-Committees	11
Investigation	9		
			75

5.—Examinations were held during 1906 with the following results:—

	May and June 1906.			November and December 1906.		
	Passed	Failed	Total No. of Candidates	Passed	Failed	Total No. of Candidates
Preliminary ..	136	49	185	105	54	159
Intermediate ..	120	66	186	122	58	180
Final	105	69	174	108	82	190
Special Final ..	2	6	8	7	6	13
	363	190	553	342	200	542
	May and June			363	190	553
			Total	705	390	1095

(*Continued on p.* 601.)

THE INSTITUTE OF CHARTERED

Dr. *Income and Expenditnre Account,*

Year ended 31st Dec. 1905. £ s d	£ s d		£ s d	£ s d
		EXPENDITURE.		
		To EXPENSES OF MANAGEMENT:—		
516 10 6		Housekeeping, Fuel, Lighting, &c...	500 19 11	
2,446 15 9		Salaries of Secretary, Librarian and Clerks, and Pensions	2,455 6 3	
771 18 8		Printing and Stationery	840 10 2	
137 16 0		Advertising	130 4 6	
308 1 9		Law Charges	213 10 11	
132 4 9		Special Law Charges	67 17 9	
265 11 4		Railway Fares of Country Members of Council	254 15 0	
179 19 2		Postage and Carriage	169 18 8	
51 8 6		Repairs to Furniture and Fittings..	41 13 0	
29 4 0		Repairs to Hall and Offices	274 7 11	
11 16 0		Report of General Meeting	10 7 0	
21 11 5		Subscription for Telephone	20 0 0	
8 16 4		Parliamentary Returns, &c.	11 16 0	
64 5 1		Sundries	60 18 4	
	4,945 19 3			5,052 5 5
		,, RENT, RATES, TAXES, &c.:—		
742 0 0		Ground Rent	742 0 0	
792 12 6		Rates and Taxes	792 7 6	
37 11 0		Insurance	37 11 0	
82 2 2		Corporation Duty	86 5 3	
	1,654 5 8			1,658 3 9
		,, DEPRECIATION:—		
227 8 3		Furniture and Fittings	205 15 0	
134 2 0		Library	136 1 11	
	361 10 3			341 16 11
	105 9 3	,, TRANSFER TO HALL AND OFFICES—SINKING FUND		108 4 10
	200 0 0	,, COPIES OF "THE ACCOUNTANT" FOR DISTRIBUTION		200 0 0
	250 0 0	,, ALLOWANCE TO THE CHARTERED ACCOUNTANTS STUDENTS' SOCIETY OF LONDON		250 0 0
	206 12 6	,, ALLOWANCES TO PROVINCIAL STUDENTS' SOCIETIES		331 17 6
		,, EXPENSES OF EXAMINATIONS:—		
231 16 3		Printing, Stationery and Sundries	224 8 5	
127 18 0		Advertising	131 0 6	
1,040 19 5		Examiners' Fees	1,049 11 7	
25 9 7		Prizes	44 17 0	
	1,426 3 3			1,449 17 6
	404 1 6	,, BRANCH LIBRARIES		414 2 4
	9,554 1 8			
	43 15 0	,, *Share of Expenses incurred by the Chartered Bodies' Joint Committee*		,, ,, ,,
	9,597 16 8			9,806 8 3
		,, BALANCE CARRIED TO ACCUMULATED FUND:—		
	3,178 5 7	Excess of Income over Expenditure for the year ended 31st December 1906		3,447 1 8
	£12,776 2 3			£13,253 9 11

ACCOUNTANTS IN ENGLAND AND WALES.

for the year ended 31st December 1906. *Cr.*

INCOME.

Year ended 31st Dec. 1905 £ s d	£ s d		£ s d	£ s d	£ s d
		By Entrance Fees:—			
21 0 0		1 Fellow at 20 Guineas ..		21 0 0	
220 10 0		35 Fellows ,, 10 ,, ..		367 10 0	
2,373 0 0		230 Associates ,, 10 ,, ..		2,415 0 0	
	2,614 10 0				2,803 10 0
		,, Certificate Fees, Subscriptions, &c.:—			
		Certificate Fees:—			
		469 Fellows at 5 Guineas ..	2,462 5 0		
		345 ,, ,, 3 ,, ..	1,086 15 0		
		6 ,, ,, 2 ,, ..	12 12 0		
		1 ,, ,, 1½ ,, ..	1 11 6		
3,547 8 6		1 ,, ,, 1 Guinea ..	1 1 0	3,564 4 6	
		601 Associates ,, 2 Guineas ..	1,262 2 0		
		968 ,, ,, 1 Guinea ..	1,016 8 0		
2,157 15 0				2,278 10 0	
		Subscriptions:—			
		43 Fellows at 2 Guineas ..	90 6 0		
		1,205 Associates ,, 1 Guinea ..	1,265 5 0		
		27 ,, ,, ½ ,, ..	14 3 6		
1,257 18 0				1,369 14 6	
	6,963 1 6				7,212 9 0
	1 11 6	,, Fines on Re-admission			10 6
		,, Examination Fees:—			
798 0 0		344 Preliminary at 2 Guineas ..		722 8 0	
770 14 0		374 Intermediate ,, 2 ,, ..		785 8 0	
764 8 0		364 Final ,, 2 ,, ..		764 8 0	
16 16 0		22 Special Final ,, 2 ,, ..		46 4 0	
		1,104			
	2,349 18 0				2,318 8 0
	69 6 0	,, Fees for Certificates of Exemption			59 17 0
	11,998 7 0				12,394 14 6
	504 17 6	,, Interest on Investments.. ..			603 5 0
	252 0 0	,, Hire of Rooms			211 1 0
	15 8 6	,, Interest on Sums placed on Deposit			36 4 7
	5 9 3	,, Interest on Sinking Fund Investment			8 4 10
	£12,776 2 3				£13,253 9 11

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

Dr. — *Balance Sheet, 31st December 1906.* — *Cr.*

	£	s	d	£	s	d
To Sundry Creditors				1,885	5	9
,, Sinking Fund in Respect of Hall and Offices				415	16	7
,, "Robert Fletcher Prize" Trust Account..				1,080	0	0
,, ,, ,, ,, Interest Account:—				69	0	0
Balance at 31st December 1905	59	0	0			
Interest for Year	40	0	0			
	99	0	0			
Payments to Prizeman	30	0	0			
	£69	0	0			
,, Accumulated Fund:—						
Balance at 31st December 1905	63,601	14	7			
Add Excess of Income over Expenditure for the Year ended 31st December 1906 ..	3,447	1	8			
				67,048	16	3
				£70,498	18	7

	£	s	d	£	s	d
By Cash:—						
At Bank of England, on Current Account ..	984	2	2			
In hand	15	14	7			
				999	16	9
,, Investment at Cost on Account of Sinking Fund:—						
£423 4s. 10d. National War Loan 2¾% Stock..				415	16	7
,, "Robert Fletcher Prize" Trust Account:—						
£1,000 Central London Railway 4% Debenture Stock at Cost				1,080	0	0
,, Investments at Cost, viz.:—						
£3,000 2½% Consolidated Stock	2,682	1	8			
£2,000 3½% India Stock	2,109	2	9			
£4,000 Local Loans 3% Stock	4,012	6	7			
£3,500 Metropolitan Water (B) 3% Stock ..	3,357	0	6			
£1,000 Great Western Railway 2½% Debenture Stock	905	13	5			
£1,000 Great Western Railway 4% Debenture Stock	1,409	6	1			
£1,500 Midland Railway 2½% Debenture Stock	1,365	4	3			
£1,000 North Eastern Railway 3% Debenture Stock	1,136	17	1			
£1,000 Lancashire & Yorkshire Railway 3% Debenture Stock	1,041	1	8			
£2,000 South Eastern Railway 3% Debenture Stock	2,124	9	4			
£2,000 South Eastern Railway 4% Debenture Stock	2,765	16	3			
				22,908	19	7
,, Interest on Investments Accrued due ..				225	12	6
,, Sundry Debtors				7	17	6
,, Furniture and Fittings:—						
As per last Balance Sheet	2,057	10	1			
Further Purchases	35	6	2			
	2,092	16	3			
Less Depreciation	205	15	0			
				1,887	1	3
,, Library:—						
As per last Balance Sheet	1,360	19	7			
Further Purchases	187	13	9			
	1,548	13	4			
Less Depreciation	136	1	11			
				1,412	11	5
,, Hall and Offices:— Cost (per Balance Sheet of 31st December 1894)				41,561	3	0
				£70,498	18	7

We have examined the above Accounts with the Books and Vouchers of the Institute, and certify the same to be correct. We have ascertained that the Certificates of the Debenture Stocks, as above, are deposited for safe custody at the Bank of England, whilst the Government Stocks are inscribed in their Books, and we have further compared the Balance at the Bankers with their Certificate.

London, 7th March 1907.

GÉRARD VAN DE LINDE, E. HOBBS, } *Auditors.*
Chartered Accountants

6.—During the year certificates of exemption from the Preliminary Examination were issued to 58 persons who had passed equivalent examinations, as compared with 66 in the previous year.

7.—In accordance with the provisions of the Bye-Laws, the Preliminary Examinations were held simultaneously in London, Birmingham, Manchester, and Newcastle-upon-Tyne.

8.—For the Final Examinations the Council awarded prizes and certificates of merit as follows:—

May.

Certificates in Order of Merit.

1.	Clinch, S. H.	London.
2.	Sharp, R. C.	Carlisle.
3.	Ismay, E. W.	Newcastle-upon-Tyne.
	Millward, R. T.	Llandudno.
5.	Shoveller, H. L.	London.
6.	Morton, J. H.	Newcastle-upon-Tyne.
7.	Ramsden, W. D.	York.
8.	Horsley, H. R., B.A.	London.
9.	Scott, A.	Hyde.
10.	Judson, C.	Birmingham.

November.

Prize and First Certificate of Merit.

Carder, F. W. .. .. .. Dudley.

Certificates in Order of Merit.

2.	Bristol, C. F.	Birmingham.
3.	Yeoman, L. J.	London.
4.	Cross, J. G.	Newcastle-upon-Tyne.
5.	Spark, E. V.	Newcastle-upon-Tyne.
6.	Raymont, F. R.	Liverpool.
7.	Bairstow, E.	Halifax.
8.	Garratt, A.	Great Yarmouth.
9.	Wood, W. T., B.A.	London.
10.	Chandler, G. L., B.A.	London.
11.	Anderson, C.	London.

Prizes for the Intermediate and Preliminary Examinations were awarded as follows:—

INTERMEDIATE.

May.

Hare, M. L. T., M.A. .. .. London.

November.

Ward, H. B. .. .. .. London.

PRELIMINARY.

June.

Wykes, P. R. .. .. .. Leicester.

December.

Hawley, H. .. .. Fenton, Staffs.

9.—The Robert Fletcher Prize was awarded by the Council as follows:—

May.

Brigham, B. H. .. .. .. Birmingham.

November.

Ward, H. B. .. .. .. London.

10.—During the past year grants have been made to seven provincial Students' Societies to assist them in organising, under the supervision of the provincial Societies, a more extensive system of classes and lectures for the assistance and education of those articled clerks preparing for the Institute's examinations.

11.—The number of presentations during the year to the Library was 31.

The attendances at the Library have been as follows:—

For the year ended 31st March 1906 ..	8,203
" " " 1907 ..	7,260

There have been 5,596 attendances in the Members' Room, as against 4,795 in the previous year.

12.—The use of the Library by articled clerks having, in the opinion of the Council, resulted in serious inconvenience to members generally, rooms are being furnished in the basement in which articled clerks may study.

13.—The Northern Institute of Chartered Accountants have kindly invited the Institute to hold an Autumnal Meeting at Newcastle-upon-Tyne on the 3rd, 4th, and 5th October next. The invitation has been accepted by the Council, and arrangements are being made, particulars of which will be duly communicated to the members of the Institute.

14.—The power conferred on the Council by Bye-Law 35A to admit to membership any person who had, up to the date of his application, been continuously in practice as a public accountant for ten years, on condition that the candidate passed the Final Examination, expired on the 31st December 1906. Thirty-five applications in all were considered by the Council, of which twenty-five were acceded to. Fourteen of the twenty-five applicants passed the Final Examination, and were admitted to membership.

15.—The Chartered Societies' Protection Bill, having for its object the provision of a simple procedure to restrain unauthorised persons from using the professional designations and distinctive initials recognised by the public as denoting membership of these Societies, which was introduced in the last session of Parliament, having been opposed, was withdrawn.

16.—The Public Trustee Act has been passed. Under its provisions it is the duty of the Lord Chancellor to make rules for carrying into effect the objects of the Act. These rules will receive the careful attention of the Council.

The Prevention of Corruption Act has received the Royal assent.

17.—The Limited Partnership Bill and the Companies Bill are receiving the careful attention of the Council.

18.—Bills have recently been promoted in several Colonies with the object of obtaining registration for accountants. This subject is receiving the careful attention of the Council with a view to securing for members of the Institute the right to practise in any part of His Majesty's dominions.

19.—In accordance with a desire expressed at the last Annual General Meeting, the Council have had, and still have, under their consideration the question of registration for the profession.

20.—The Council have pleasure in reporting that a Society of Chartered Accountants has been formed at Leeds.

21.—A former member who had been excluded from membership in consequence of the non-payment of his annual certificate fee, brought an action against the Institute on the ground that he had been improperly excluded, and claimed to be readmitted. The Council were successful in resisting the claim, and also obtained an injunction restraining the plaintiff from continuing to describe himself as a Chartered Accountant, together with an order requiring him to deliver up his certificate of membership in accordance with Bye-Law 108.

Notice of appeal has been given.

22.—In an action brought by the Institute against certain persons, who were officers of a non-incorporated Society called "The Institute of Accountants," the Council were successful in obtaining a perpetual injunction restraining the defendants from carrying on business in that name or in any other name so nearly resembling the Institute's name, or in any such manner as to deceive or lead to the belief that such business was that of or in any way connected with that of the Institute.

23.—Some questions submitted by the Bankruptcy Law Amendment Committee appointed by the President of the Board of Trade to inquire into and report upon the effect of the laws in force in the United Kingdom in relation to Bankruptcy, Deeds of Arrangement, and Compositions by insolvent debtors with their creditors, and the prevention and punishment of frauds by debtors on their creditors, were replied to by the Council, and Mr. A. O. Miles, F.C.A., gave evidence before the Committee in support of the Council's views.

24.—The Council regret to have to record the death of Mr. Adam Murray, F.C.A., Manchester, who was Vice-President of the Institute from June 1889 to June 1890. The vacancy has been filled by the election of Mr. John George Litton, F.C.A., Manchester.

A vacancy resulting from the resignation of Mr. C. H. Wade, F.C.A., Manchester, an original member of the Council, has been filled by the election of Mr. John Mather, F.C.A., Manchester.

25.—The Council regret to announce the death, on the 5th of February last, of Mr. W. G. Howgrave, who was Secretary of the Institute from its incorporation until September 1899.

26.—The following members of the Council retiring under Bye-Law 4 are eligible for re-election:—

THOMAS BOWDEN,
ERNEST EDMONDS,
JOHN SUTHERLAND HARMOOD-BANNER,
HORACE WOODBURN KIRBY,
GEORGE WALTER KNOX,
WILLIAM BARCLAY PEAT,
FRANCIS WILLIAM PIXLEY,
WILLIAM ALFRED STONE,
EDWIN WATERHOUSE.

27.—The Auditors, Mr. Gérard van de Linde, F.C.A., and Mr. Edward Hobbs, F.C.A., retire in conformity with Bye-Law 110, but are eligible, and offer themselves, for re-election.

28.—The accounts of the past year, duly audited, are annexed to this report.

WM. B. PEAT,
President.

10th April 1907.

President's Address.

The record of the past year in the history of our Institute will be found marked by the continued steady progress in the number of our members.

Our influence in the business world and the deservedly high reputation of our members has not diminished.

The commerce of the United Kingdom in which we are so much interested appears, from the Board of Trade returns, to show most marked development both in our imports and our exports; resulting in the percentage of unemployed of members of trade unions making returns to the Board of Trade falling:—

From	5·6	per cent.	in March	1905,
to	3·9	,,	,,	1906,
to	3·6	,,	,,	1907.

Strangely enough London does not seem to have participated to the same extent as the provinces in the wave of prosperity disclosed by the Board of Trade Returns. High bank rates, depreciation in investments, the unrest in the Transvaal, the influx of aliens, may all have their share in the less satisfactory conditions prevailing in London as compared with the provinces.

Not only have London tradespeople, depending on prosperity for abundant demand, suffered, but the numbers of work-people in London who vary between partial employment and unemployment, have not seriously lessened in the past three years as will be seen from the figures I am about to quote relating to Metropolitan pauperism.

On 30th March 1907 the number of Paupers in London

					was	120,144
,,	,,	1906	,,	,,	,,	123,145
,,	,,	1905	,,	,,	,,	120,552

* A decrease of 3,000 in 1907 as compared with 1906.

The figures of 1907 and 1905 are practically the same.

The Bankers' Clearing-House returns show a volume of business which indicates an abounding prosperity in our industrial organisations reaching the enormous total last year of 12,711 millions sterling, an increase, as compared with the previous year, of 3½ per cent.

I do not forget the fact that these Clearing-House returns include Stock Exchange and other transactions which only indirectly affect the turnover of our industries.

When we come to consider that the commerce of the country is for the most part the subject of audit, and that to a preponderating extent that audit is conducted by members of our Institute, we shall realise that the greatest of our interests is the prosperity of the nation and the Empire.

It has been said that the professional accountant lives on the misfortunes of others, but like many trite sayings, that is to a large extent devoid of truth.

There was a time when bankruptcies and liquidations required a much larger share of the attention of our profession than is the case at the present time.

Successive measures of legislation, referred to in previous observations of those who have occupied this chair, have to a considerable extent removed the administration of bankruptcies, and in a less measure of liquidations of public companies, from the hands of the professional trustees and liquidators to those of the officials of the Board of Trade.

However loudly we may state that the legislation should not be directed to take away the means of living and the income from any professional or industrial class, yet the fact is that Parliament has seen fit to pass such measures, and we as an Institute, in the interests of our members, and, as we think, in the interests of the commercial community, may surely continue on every legitimate occasion to protest against laws of that character.

In regard to the progress of our Institute, although that has been a theme which has interested every one of my predecessors, it is a subject that is ever fresh and of abiding interest, and I venture to refer to it again.

It is a remarkable fact that during a business lifetime of less than thirty years the professional accountant in England has evolved from his predecessors, who in many cases interested themselves in other pursuits than accounting, and many were working as units free from discipline of a corporate character, and devoid of the education now an essential for those who seek to enter our profession.

The Institute commenced its career with a modest membership of 599 twenty-seven years ago; to-day we are 3,662, which does not include students, but does include those who have proceeded to our Colonial Empire and elsewhere.

The distribution of our members is as follows:—

3,443 in Great Britain,
113 in our Colonies and Dependencies,
59 in the United States of America,
47 in other countries,

and, with a small percentage of exceptions, they are all in practice as Chartered Accountants, or as clerks to Chartered Accountants.

We have now no loophole by which men can become members of our Institute without passing through the ordeal of examination, unless, indeed, they comply with the foundation of our Charter as having been engaged in accountancy at the date of the Charter; and I think I may say with almost certainty that there are none left who are now likely to base a claim for membership on an association with our profession twenty-seven or more years ago.

The numbers of our members seeking employment out of England and Wales are greater than at any previous time in the history of the Institute, and we have reason to encourage opportunities of this character for the employment of our members.

It is, in my opinion, in the interests of our members that we should hold the same relationships to Colonial industry as our members in this country hold with regard to the commerce of this country; and that is best to be attained by the establishment of our members in those countries, and the opportunity to take articled clerks with facilities for examination locally, if this can be conceded.

I regret to say that death has removed from the Council Mr. Adam Murray, of Manchester, who was a Vice-President of the Institute.

Mr. Murray's great name and reputation was not alone confined to Manchester, or to those who knew him intimately and personally. A man of ripe experience, always ready to place that experience unreservedly at the disposal of the younger members of the profession, he is a loss to the profession and to the Council of which he was an honoured member.

We have lost by resignation another original member of the Council in Mr. C. H. Wade, of Manchester, who found it inconvenient to make the frequent attendances in London necessary for the business of the Council. The Council regretted losing the services of Mr. Wade, but, in the circumstances, accepted his resignation.

These vacancies have been filled up by the appointment of two well-known men, specially representing Manchester, in the persons of Mr. John George Litton, F.C.A., and Mr. John Mather, F.C.A.

In the twenty-seven years of our existence it will be found from the Balance Sheet appended to the Report that we have accumulated a fund of over £67,000, which, to the extent of nearly £45,000, is represented by the Hall and Offices, Library, Furniture and Fittings, the remainder by Cash and first-class Securities.

The expenses of management in the year, as compared with last year, do not show any very important variations.

There are various items of increase amounting to	£325 5 7
There are various items of decrease amounting to	218 19 5
giving a net increase of	£106 6 2

The increases are very easily explainable:

Printing and Stationery has gone up £68 as compared

with last year, which entirely arises from the increased cost of the list of members. Repairs to the Hall and Offices are up £245 3s. 11d., arising from the periodical painting, &c., of portions of the inside of the buildings.

The decreases are small amounts, except Law Charges, which vary according to the legal business in which the Council is engaged.

There are, in addition, other increases in the expenditure, such as Allowances to the Provincial Societies—increase, as compared with 1905, of £125 5s.

This is not an unfavourable feature in the accounts of our Institute, because the Council only help those Student Societies who help themselves, and therefore a grant from the Institute funds implies that the students have from some other source produced a substantial amount for the advancement of their education.

Taking all expenses into account the grand total of the increase in 1906, as compared with 1905, is £208 11s. 7d.

The income, on the other hand, shows an increase of £477 7s. 8d., chiefly arising from entrance and certificate fees and interest on investments and deposits.

The hire of rooms is less by £45 19s., consequent on certain of the rooms hitherto let being now used for the purposes of the Institute, and certain rooms in the basement being furnished in which articled clerks may study.

The latter arrangements are of assistance to our students and of convenience to our members, who have hitherto found the Library of the Institute at times inconveniently crowded by articled clerks preparing for the examinations.

The rooms in the basement, when ready for use by the students in a few weeks' time, will place the Library at the exclusive use of members.

It will be observed that the articled clerkships recorded during the year were 293.

For comparison I give you the number of articles of clerkship registered in each year for the previous five years:—

1901	248
1902	289
1903	244
1904	258
1905	318

an annual average of 271, as compared with 293 for last year.

It may be useful here to record the fact that upon four Government Departmental Committees members of our Institute have been called upon to act with the view to legislation on subjects affecting the profession.

I refer to:—

The Committee to consider the system of Income Tax, on which the late Mr. Adam Murray gave most useful and effective assistance.

The Committee to consider amendment of the Companies Acts, upon which Mr. Edwin Waterhouse, past President of the Institute, has given assistance.

The Committee to consider the system on which Accounts of Municipal or Local Authorities are kept, in which Mr. John Gane, past President, was occupied, and the report of this Committee has not yet been made public.

The Committee to consider amendment of the Bankruptcy Laws, upon which I have the honour to take part, and which has not yet reported.

A knowledge of the system of income-tax and practice of the Surveyors and Commissioners is essentially necessary for our members for the proper direction of our clients through the thorny mazes of the income-tax law and for the preparation of income-tax returns on behalf of our clients.

Without that knowledge on our part, applied to the assistance of our clients, they may very easily be found to pay more than they can be legally called on to pay, or fail to get a return of over-payments to which they would be entitled on a correct rendering of accounts for income-tax. The Income Tax authorities, I believe, are prepared to accept a statement for the purpose of taxation, certified by a member of our Institute as regards questions of account.

There is a very great deal to be done in the interests of our clients in understanding and appreciating the income-tax law, the intricacies of its administration, and the decisions in the leading cases, and I commend this study to those of our members who are seeking a useful sphere of additional employment.

As regards the Companies Acts, the Bill submitted to Parliament resulting from the recommendations of the Committee contains many important features intended to assist the industries of the country, to minimise the opportunities of the fraudulent, to encourage the best men to interest themselves in the management and direction of public companies, and to give diminishing scope to the theorist, the attainment of whose objects is not always consistent with the advancement of the trade of the country.

The man who prefers to invest in a speculation of a risky character, or in a business of which he knows little and as to which he has made insufficient or no inquiries, must look for a proportion of losses and other risks incident to commerce of this charater.

As long as big dividend possibilities are held out, and as long as we have a speculative public, so long will men be found to take the risk of a speculative investment in preference to a less dividend well secured. And the unfortunate shareholder in an unsuccessful concern is apt to blame directors, officials and managers, and sometimes auditors; forgetting that even in an unprofitable company, standing charges run on, machinery and plant which may be found useless are purchased, development work which turns out unsuccessfully is proceeded with, and the whole of the cash

subscribed capital, and a good deal more, may disappear in expenditure purely legitimate and right, laid out according to the wisdom of those whom the shareholders place in charge of their property.

An important change recommended in the Bill to be brought before Parliament is authority to a company to issue its shares at a discount, and to pay interest on capital expended on construction of works, &c., during construction and under certain safeguards set out in the Bill.

On this subject practice has hitherto varied. We find that certain parliamentary companies are entitled to issue shares at a discount. They are entitled to pay interest on capital to the extent authorised by Parliament during construction of the works.

In regard to the companies incorporated under the Companies Acts the procedure is different. Whatever its needs, such a company may not issue shares at a discount nor may it pay interest during construction on its share capital. In the result objectionable modes of finance are sometimes resorted to.

The company borrows on onerous terms, possibly giving the lender in addition to his interest some participation in the profits to the prejudice of existing shareholders. While in regard to interest on share capital during the construction of a works, I fail to see why within certain safeguards a shareholder should not receive interest during the necessary period before the manufacture in which he is interested becomes revenue earning.

The great safeguard in all such cases is :—

That if shares are issued at a discount it should be done with publicity.

That interest paid on capital during construction should be limited by the prospectus and the articles of association to a defined period, a maximum amount, and a fixed rate of interest.

Similar information should be on the file at Somerset House for the information of the public.

Legislation should proceed on lines to yield the greatest benefit and facilities to trade: the protection of the individual from an unwise judgment on his own part is impossible. It is also impossible to protect him from the risks incident to a speculative investment, and from the consequences of investing in a business of which he knows nothing and in regard to which he makes insufficient inquiries.

The Council are giving the Bill attention, and there are other amendments which it is hoped will receive favourable attention by the Legislature.

You will observe from the report that the Northern Institute of Chartered Accountants have invited the Institute to hold an Autumnal Meeting at Newcastle-upon-Tyne on the 3rd, 4th, and 5th October.

On a former occasion (in 1890) we had the pleasure of accepting the invitation of that body.

I am sure those who were present on that occasion have a lively recollection of the interesting visit made to Tyneside and the hospitality of our friends in the North. I trust that a very large attendance of members will find their way to the metropolis of the North on the occasion in question.

At the last Annual General Meeting a notice of a proposal was put forward to the following effect in relation to registration for the profession :—

> "That no further delay should take place in securing the registration of all public accountants and in providing that the members of the Institute and Society of Accountants and Auditors shall retain their present distinctive titles, and that the Council of the Institute take such necessary steps to promote a Bill in Parliament as shall ensure this desirable object."

This notice was withdrawn on the understanding that the Council would take into consideration the subject-matter of the notice.

The views of the Liverpool Society, the Manchester Society, and the Birmingham Society of Accountants have been expressed to the Council in favour of some system of registration for the profession, and the Council are engaged in the consideration of the subject. It is known that legislation of this character could be most successfully introduced in co-operation with other professional accountants, and the Council has had a Committee engaged in conference with a Committee of the Society of Accountants and Auditors, but the labours of this body are not yet in a sufficiently advanced state to be submitted to the Council.

The growth of the profession has encouraged men who are not available for admission either into the Institute or the Society to establish themselves as professional accountants with such qualifications for the duties they seek to discharge as they possess, with no responsibilities to the disciplinary measures of an organised body, with no professional etiquette to regulate their conduct, and without the advantage of the training and experience necessary for the efficient discharge of the duties which the public entrust to the professional accountant.

In my opinion it is not the demand of the profession which will bring about legislation to limit the right of a man to describe himself as a professional accountant, but the insistence of the public that those who undertake the duties of a public accountant shall be qualified to discharge them; shall be subject to the discipline of an organised body; and shall not be permitted to discharge these onerous duties unless he has been proved by previous examination or by experience to be equal to the task which he undertakes.

In promoting registration for the profession, in my opinion we shall only be seeking what the public require; and if we—far and away the most important body of public accountants—fail to grasp the opportunity, the privilege of doing so will pass from us, and we may ultimately find

ourselves unwilling followers, and not leaders in the path of progress, compelled to criticise and not to formulate the basis upon which legislation for the profession may be sought.

What we should seek in such a measure of registration is to protect the right of our members to the use of the title Chartered Accountant, and to prohibit its unauthorised use; that all Chartered Accountants now in existence or hereafter admitted shall be registered and entitled to practise as Chartered Accountants;

That a summary method of dealing with those who pretend to be Chartered Accountants and are not, shall be provided in the legislation;

That the administration of our Institute shall remain in the hands of the members of the Institute;

That those who have been excluded from membership of our Institute shall cease to be entitled to practise;

That none but those who are registered as professional accountants shall be entitled to practise as such.

I am quite aware that registration is not a panacea for all evils, and there must be on the register, to begin with, men—who are at present practising—who are not members of any well-recognised body of accountants; but such was the case twenty-seven years ago when our Institute was formed, and such it will be again if a register of professional accountants is established by Parliament.

In course of years the inefficient will die out, and the register will in time contain only the names of those who have proved their claims to public confidence, while the Institute of Chartered Accountants, retaining its organisation and examinations, will still remain the leading body of professional accountants.

The members of our Institute fourteen years ago decisively objected to a proposal for registration on the conditions then accompanying the proposition.

The Society of Accountants and Auditors then numbered five or six hundred members: they are now about 2,000 members. The Chartered Accountants were then about 1,900 members; they are now over 3,600 members.

The circumstances fourteen years ago which called for registration call more loudly for it to-day; and members of our Institute who held aloof from the proposal fourteen years ago, may not be adverse to a system of registration which does not involve amalgamation.

Before any legislation is promoted for registration, the views of the members must be ascertained, but as far as I can gauge those views, and as far as they are voiced by such important centres as Liverpool, Manchester, and Birmingham, and subject to sufficient safeguards for the preservation of the Institute, its continued administration by its members, and the due protection of our title of Chartered Accountant, these views are favourable to registration.

Several of our Colonies have taken steps to obtain registration of professional accountants, and amongst them the Transvaal, where unfortunately those who promoted the Bill have introduced restriction against practice in the Colony by non-resident professional accountants.

Legislation which excludes the free right of members of our Institute to go anywhere and to any country in discharge of their duties does not commend itself to the Council.

Representations have been made to the Council of the Transvaal Society and explanations received, and further representations have been made to the Colonial Office, but the correspondence has not yet arrived at a definite result.

In addition to the Transvaal, the following Colonies have taken steps towards registration for the profession:—

New South Wales,
Natal,
New Zealand,
Tasmania;

and in each instance the Council have watched the character of Bills brought into the Colonial Legislatures for this purpose, and the Council will in every case use the utmost means in its power to secure for members of the Institute the right to practise in any part of His Majesty's dominions.

I congratulate the Chartered Accountants of Leeds and district in attaining the formation of a local Society, and wish it a prosperous and useful career. All local Societies have a great educational mission for the benefit of our students, they assist in maintaining a high standard of professional etiquette, and good fellowship is encouraged by the periodical meetings of the members, and they are of assistance to the Council in administering the affairs of the Institute.

The Council found it necessary to raise an action against certain persons who were officers of a non-incorporated society called "The Institute of Accountants." This is one of a class of societies bound to increase in number unless a Bill for registration becomes law.

This particular society adopted a name so nearly resembling our own that we were compelled, in the interests of our members, to take action against it, which we did successfully.

We have also been engaged in a successful litigation against a former member, who was excluded from membership for non-payment of fee.

He asserted his right to continue to describe himself as a Chartered Accountant notwithstanding exclusion, and the Council obtained an injunction prohibiting his doing so, and requiring him to give up his certificate of membership. An appeal has been lodged by him.

Dealing with the legislation of the past year, the Public Trustee Act has become law.

With the active assistance of Mr. Harmood-Banner, M.P., a past President of the Institute, and other members of Parliament, a clause was introduced in the measure providing, in certain circumstances, for the audit of accounts and securities of a trust by a solicitor or professional accountant, provided that such an investigation or audit shall not be required within twelve months after any such previous investigation or audit, and that a trustee or beneficiary shall not be appointed under this section to make an investigation or audit.

This was not the full measure of the Council's aims as regards this legislation, but we must appreciate the recognition by Parliament that the selection of auditor is limited as described—nor can we say that the audit of securities by solicitors is not in certain cases a necessity. I venture to express the opinion that had a register of professional accountants been already legalised the selection of the professional auditor would have been by the Act limited to those on the register, which would have been an additional safeguard to the public and of advantage to the profession.

The Limited Partnership Bill referred to in the report of the Council appears to be a branch of the law relating to limited liability companies.

It may be said that the effect, if passed into law in its present form, will be to enable a firm to trade under limited liability without the safeguards to the public provided by the Acts relating to limited companies.

There is much to be said against this form of trading, and the Bill will no doubt receive much criticism from this point of view. The Council will carefully watch the progress of the measure in the interests of the public and the profession.

It is with regret that I record the death of Mr. Howgrave, the first Secretary of the Institute, who remained the Secretary from 1880 to 1899—rather more than nineteen years.

I have very much satisfaction in acknowledging and expressing my obligations to the Secretary and the members of the staff for their assistance during my year of office.

I now move that the report and accounts be received and adopted. (Applause.)

Mr. John Ball Ball (Vice-President) said that the address of the President had been so comprehensive that he would simply limit himself to seconding the resolution, which he did with much pleasure.

Mr. Charles Comins, F.C.A. (London), said, before the resolution was put he wished to say a few words upon the report. Some fifteen years ago, when the President was elected to the Council, he quite remembered the circumstance, and as he took some part in the election he would like to be amongst the first of those in the body of the room to congratulate him on his successful year of office, and to thank him for the zeal and activity which he had shown in the interests of the profession during the past year and during the whole period he had served as a member of the Council. (Applause.) They had noticed the liberality and generosity which Mr. Peat had displayed in the interests of the profession, and they took this as an earnest of the consuming zeal which he had in the general welfare of the profession, and he (the speaker) trusted that many others might be able to follow the President's example in future. The report and accounts submitted, one must admit, were extremely satisfactory, but there was one omission in the report which seemed to him very significant, and he would like to be permitted to draw attention to it, namely, in regard to the question of municipal audits. During the past year that question had been before the public mind with great prominence, and the President had referred in his speech to the fact that Mr. Gane had been chosen as a member of the Committee appointed by the Local Government Board to consider this question. At the same time he would like to have seen some reference to it in the Council's report. It seemed to him that this whole question was now in the crucible, and it would be decided within the next few months, he supposed, whether Chartered Accountants were going to be allowed to audit the accounts of municipalities and to take a greater part in these accounts than they had been allowed to do in the past. He had hoped that the Council—with all the power of the organisation that they had in the Institute as it now existed, and with the added strength of their profession throughout the country—would be able, when this question was settled, to obtain some rights to their members greater than they had at the present time. It must be admitted that the present position of Chartered Accountants was altogether incongruous. In the world of commerce and finance, in the Courts of Justice, the profession was recognised as being a body of gentlemen most suited to the audit of accounts, but when they came to consider the attitude taken by Parliament and by the great Departments of State, so far as these particular audits were concerned, the profession was absolutely ignored. He maintained that this was a deplorable fact not only in their own interests, but in the interests of the general public and of the nation at large. There was one other matter to which he wished to refer, and that was the question of Income-tax. He did not know whether the Council intended to take any action upon it, but the evidence that was given by members of the Institute before the Departmental Committee was, he suggested, extremely unfortunate. That Committee reported and advised that Section 133 of the Act of 1842 should be abolished, and that was what the Chancellor of the Exchequer, he understood, now proposed. He submitted that the general body of opinion in the profession was that so long as an average of years existed for the purpose of fixing an assessment this section

ought to remain—(hear, hear)—and it was a gross injustice that the section should be abolished, whilst at the same time maintaining the assessment on the basis of the average of the past three years. (Applause.)

Mr. W. R. HAMILTON, F.C.A. (Nottingham), said that the accounts presented showed the usual prosperous condition of the Institute. There was an item of expenditure on examinations of £1,449, and examination fees were £2,318, showing on this item that the Institute made a profit of some £900. The fact that they had made that profit, and the fact of the generally prosperous condition of the Institute, caused him to draw attention to the very long time which elapsed between the holding of an examination and the publication of the results. It did not matter very much, perhaps, although it was not always convenient, in regard to the Intermediate Examination, but when it came to the Final Examination the question really often was important; a man wanted to know as soon as he had gone through an examination whether he had passed. A good deal might depend upon it, and he could not think that there was any insuperable difficulty in getting out the results more quickly. He felt quite sure that a judicious expenditure of the £900 profit made on the examinations would result in getting out the lists a week or two sooner than at present, and he did not think that they ought to make a profit from their examinees on their examination fees. He, therefore, suggested to the Council that they should see whether they could not by the expenditure of this £900, or part of it, produce a quicker result, which would show the examinees that they were getting value for their money, and which would satisfy the minds of those very anxious people who went through their examinations. There was another matter that he wanted to touch on for a moment. He noticed in the report that they had, unhappily, lost two members of the Council during the year, and that the vacancies had been filled up by the Council in the usual way. It happened that those two gentlemen were Manchester gentlemen, and their places had been filled by the appointment of Manchester gentlemen. All this was quite in order to his way of thinking, because as long as they had this local system of representation it was quite fair that an important town like Manchester should have its share of representation. It had five members on the Council, and, as he worked it out, its proper share of members was five. There was one member of the Council to about every 73 members of the Institute, and that gave Manchester about five members, and Manchester had five members. In fact, the representation of the various districts was fairly accurate, with three exceptions. There were two glaring ones. First of all, Portsmouth had a member. He had nothing to say against Mr. Edmonds—very much the reverse—but he could not see why Portsmouth was sufficiently important to be represented, except on account of its importance to the Empire, and in that case why should not Plymouth be represented? On the other hand, why should Nottingham, which was a large town—(laughter)—have no representation on the Council? London was over-represented by about six members. The matter, in fact, stood thus—the large provincial towns, with the exception of Portsmouth in one direction and Nottingham in the other, were fairly well represented, but London gathered up into itself not only the representation to which it was entitled by the London members, but the representation of all the members scattered throughout the country in other than the large towns. London should only have twenty-one members and it had twenty-seven. He did not suggest for one moment that one of the London members should immediately retire in order to make way for a representative for Nottingham. He did not suggest it; he hoped the London members might live for ever—(laughter)—but in the unfortunate event of a vacancy occurring through death—and in no other way had a vacancy ever occurred in the Council—(renewed laughter)—he sincerely hoped that the Council would take this matter into consideration, and remember that Nottingham was a large town, and was entirely unrepresented on the Council. He was very glad to hear what the President said, in what he might describe as a most delightful and breezy speech, about the registration of the profession. He thought registration was bound to come, and it was one of his charges against the Council—and he had a good many charges—(laughter)—that if they had been thoroughly alert, and if they had been a representative body answerable to constituents, the necessity for registration would not have arisen. In the early days of the Institute he could not help thinking that a bolder and more far-seeing policy might have been adopted. (Applause.) If they did not succeed in getting registration, there was one possible reform which would certainly help them a good deal. It would be a distinct advantage with regard to their attitude to the public if the distinction between Fellows and Associates were abolished. It was a mistake, he was convinced, a short-sighted policy which introduced this distinction between Fellows and Associates. It was a purely domestic matter with which the public had no concern, and it was that distinction which prevented their using the well-known initials "C.A." What they wanted was the use of the initials "C.A." In Scotland these initials were used, so much so, that they might live for years in Edinburgh or Glasgow and be constantly mixing with Chartered Accountants, and not hear the words "Chartered Accountants" once, for this reason—the letters "C.A." had so worked into the business fabric of the place that if they were to ask a man what he was, he would tell them that he was an accountant or a "C.A." The consequence was that the Scotch members had these letters "C.A." firm, and nothing could displace them.

neither law nor custom, whereas this Institute created a distinction over a purely domestic matter relating to the payment of annual subscription, and prevented the members using these initials, which were short, which could not very well be copied, and which everyone could understand. He commended this to the Council as a possible alternative in the event of registration not coming to pass. (Applause.)

Mr. A. F. Dodd, F.C.A. (Liverpool), remarked that there were one or two matters arising out of the President's speech on which he desired to say a few words. In *The Times* of the 29th April 1907 there was a notice to the effect that the Council of the Society of Accountants and Auditors had forwarded a resolution to the Prime Ministers attending the Imperial Conference, and from the way in which that notice was put in—very likely many present had read it—it would appear that the Society of Accountants and Auditors represented the practising body of accountants in this country. He did not know whether this Institute had forwarded a similar congratulatory resolution to the Imperial Premiers now assembled, but he would suggest the desirability of such being done. Coming to the question of the accounts, he had made an analysis for the years 1904, 1905, and 1906, with special reference to the funds which had been distributed for the benefit of students, and he found that, taking the subscription to the Students' Society of London, the expenses of examinations, the branch library grants, and the educational allowances to provincial Societies for 1905 and 1906, there appeared to have been a net surplus on receipts by the Institute of a sum of £387 1s. 5d. That was provable from the accounts as published. He did not mention this fact in any aggressive or hostile spirit, but for the purpose of drawing attention to the fact that Students' Societies did not receive monetarily a very large support from the Institute, and in view of the very large surplus which existed upon the accounts annually he ventured to suggest that some more liberal contribution might be made towards the local Students' Societies up and down the country. There could be no question, in view of the very great increase in the membership of the Institute, which they had heard of from the President, that it was upon the Chartered Accountants' students they must rely for the future advancement of the profession. In view of that important fact he ventured to think that a more liberal investment of their funds in libraries and in educational facilities would unquestionably bring about not only a profitable, but a very gratifying, result. As many of the members doubtless were aware, he had the opportunity of going up and down amongst these Student Societies a great deal, and he could say from what he had seen of some of the libraries in the provinces that he did not consider they were worthy of the Institute, nor were they in any sense adequate in very many cases to the reasonable needs and requirements of the students. He would not press this matter further on the present occasion, but would commend it to the very careful consideration of the Council in the hope that some more substantial monetary support might be given to these Societies than had been done in the past. (Applause.)

Mr. Clare Smith, F.C.A. (Bristol), remarked that Mr. Dodd, in the latter part of his speech, had practically said what he himself had intended to say. He only rose for the purpose of supporting that gentleman and saying that undoubtedly throughout the country more interest was taken by provincial members and the provincial Societies in the doings of the Institute and of the Council than ever was the case before, and that there was a very strong feeling that the support which they received from the Institute in London by way of grants towards libraries and the educational advantages of the students was quite inadequate. If, therefore, the Council would take this matter into consideration for the future it would tend to keep that body in London in touch with the general body of members, which was extremely important in view of what might come to pass in regard to registration or otherwise in future.

Mr. Maurice Jenks, F.C.A. (London), said he was particularly interested in that portion of the President's speech which referred to the development of the profession in the Colonies. The point he wished to ask was whether the disabilities existing under their own Charter with regard to accountants who went abroad to our own Colonies could by any means be removed. He referred to Section 28 of the Charter, which said:—"This, our Charter, does not apply to Scotland or Ireland, "and where it mentions practice or service means practice "or service in England or Wales." He understood that to mean, after having made inquiries from the Secretary and others, that if a Chartered Accountant went to the Colonies and carried on business there, he was debarred from taking an articled clerk and also from becoming a Fellow of the Institute. He believed that that clause was inserted at the time the Charter was drawn up in order to obviate jealousy on the part of Scottish and Irish Societies, and he did not think it was ever contemplated at the time that questions would arise in connection with the Colonies. He would merely suggest to the Council of the Institute the possibility of applying to the necessary authorities for the words to be expunged, so that the clause would read, "And "where it mentions practice or service means practice or "service in England or Wales or the Colonies." If the Council would kindly take that suggestion into consideration he would be grateful.

The President said that if there were no other questions he would first express his very grateful thanks to Mr. Comins for his very kind words of congratulation as regarded himself. He knew that in the past year he had, possibly, inefficiently occupied the chair—(cries of "No")—but he had done his best. In regard to municipal audits, that was a matter

which had come up quite frequently at their meetings. Mr. Gane was a member of the Departmental Committee considering that question.

Mr. GANE, F.C.A. (London), said that with the permission of the President he would like to dissipate a little misunderstanding on the part of Mr. Comins on that point. The question of the audit of accounts of local authorities did not come within the scope of the inquiry upon which the Committee was engaged, and they would find, when the report came out, that there would be no mention of audit; either by officials or themselves.

The PRESIDENT said he was about to say that until that report was out he thought they might leave the matter alone, keeping in mind the fact that a subject of that importance was interesting to their profession and to the Council. On the subject of income-tax he rather understood Mr. Comins to feel some hesitation as to what the Committee might report in regard to the withdrawal of the particular clause relating to the average. He was not personally prepared to express an opinion on the subject, and therefore if Mr. Comins would kindly allow the matter to remain over for consideration he would be much obliged. Mr. Hamilton's observations had dealt with a question of fees received for examinations and expenditure in connection with those examinations. The expenditure appearing in the accounts published was by no means all that was incurred in connection with the examinations, or all that might reasonably be charged to the cost of those examinations. But in any case it was quite reasonable and, he believed, customary that a fee should be charged for examinations which was amply sufficient and more than sufficient to cover the cost of them, and he did not think they erred on the side of over-severity in the charges they made in this connection. He sympathised very much with the remarks of Mr. Hamilton with regard to the time which elapsed before the publication of the results. The Council some time ago invited the Examination Committee to consider that matter, and the Examination Committee did consider it. The Chairman of the Committee, if his (the speaker's) memory served him, found that it would be extremely difficult to get the results ready earlier than at present; but he was quite sure that after the expression of opinion from Mr. Hamilton and others, Mr. Halliday, who was the very excellent Chairman of that Committee, would give the matter further consideration. He would hardly deal with the subject which Mr. Hamilton mentioned in connection with the vacancies occurring on the Council. Mr. Hamilton mentioned the name of Mr. Edmonds. That gentleman was a most excellent and useful member of the Council—(hear, hear)—and whether he represented Portsmouth, the South of England, or any other part, he did his duty well and entirely to the satisfaction, doubtless, of himself and of his fellow members of the Council. (Applause.) They could not regard themselves as representing particular geographical areas. They represented the body of the members. It was quite true that twenty-seven years ago so many members were selected from various districts, and when they died, or retired, members were selected from the same districts again; but they were only selected as being representative men, capable not only of representing the areas from which they came, but the members of the Institute as a whole. They all tried to do their duty from that point of view. On the subject of registration he had already expressed himself, he was afraid, almost *ad nauseam*. He had only propounded his individual views, and no individual views were of great moment unless they were backed up by the members of the Institute itself. It was for the members of the Institute to express their views on that very important subject. At the moment, as he had said, the Council was engaged in considering the subject, and they would, no doubt, in due time express their views on it. He was not entirely in sympathy with Mr. Hamilton on the subject of adding "C.A." after their names. They had 3,700 members. For twenty-seven years they had added "Chartered Accountant" after their names, and some of them had occasionally described themselves by the initials "C.A." Personally he much preferred to describe himself as a Chartered Accountant. Much as he admired and respected their Scottish friends, he did not want to put "C.A." after his name, so that anyone might be misled as to his being a member of their Scottish brethren. (Laughter.) Not that he considered they were in any respect inferior to the members of the Institute, but he himself was a member of the Institute of Chartered Accountants, and he liked to describe himself as a Chartered Accountant, and therefore he was not entirely in sympathy with Mr. Hamilton on that subject. Mr. Dodd had mentioned a subject which he (the President) would rather not refer to, except to say that their friends and neighbours—the Society of Accountants and Auditors—saw their way to send a certain telegram to the Colonial Premiers. He did not see his way to suggest following suit. It was a matter of opinion, and one which this meeting could decide for itself, or the Council could decide for itself; but whatever view might be taken by their friends on that subject, as he was at present advised, and according to the inclination of his mind, he would not agree to do exactly the same. Mr. Colville reminded him that the Law Society did not do so, and he was not aware of any other organised body having so acted. Mr. Clare Smith and Mr. Dodd had referred to the Students' Societies. There the Council were in absolute and entire sympathy with the observations which had been made. The views of the Council on the subject had been that they helped the Societies who helped themselves. They did not hold themselves out to bear the cost

of Students' Societies. They did not hold themselves out as being responsible to supply them with all the books they required; but they said to them, "If you will show "by your attendances at lectures and by other means the "interest you take in this particular business—if you will "do something to help yourselves—we, the Council, will "do something to help you." I think that is a reasonable and proper attitude to take with regard to the Students' Societies. (Hear, hear.) We are all anxious that they should prosper. They are the foundation on which we make our members, and the members of the Council sympathise entirely with anything which can properly be done to interest the students in their work and to encourage them in it. Mr. Jenks raised a subject which had also received very careful thought on the part of the Council, and which was referred to in the address which he (the President) had had the opportunity of delivering at that meeting. That was the right of their members to take articled clerks in the Colonies, and that they should be examined locally. If Mr. Jenks would allow him to say that, perhaps nothing more need be said on the subject at the moment, except that it was receiving such attention as he thought, and he was sure Mr. Jenks would think, it deserved, and if they could advance further than that in the interests of their members the Council would not be at all slow in doing so.

The motion was then put to the meeting and carried unanimously.

Mr. Clare Smith next moved the re-election of the following members of the Council:—Thomas Bowden, Ernest Edmonds, John Sutherland Harmood-Banner, Horace Woodburn Kirby, George Walter Knox, William Barclay Peat, Francis William Pixley, William Alfred Stone, and Edwin Waterhouse. He had great pleasure, he said, in submitting this resolution. The members, he was sure, were all very much obliged to those gentlemen for what they had done. Their names were household words, and many of them were personal friends of his own.

Mr. E. H. Fletcher, F.C.A. (London), seconded the motion, and it was carried unanimously.

Mr. E. D. White, F.C.A. (Liverpool), proposed the re-election of Mr. Gérard van de Linde, F.C.A., and Mr. Edward Hobbs, F.C.A., as auditors. He remarked that the members were very grateful to those gentlemen for their past services, which he trusted they would continue on behalf of the Institute, if re-elected.

Mr. Hamilton seconded the motion, which was adopted.

The President remarked that he had now to refer to a resolution, of which Mr. A. J. Windus, A.C.A. (London) had given notice, viz.:—

(1) To amend Bye-law 4 by striking out the words "but shall be eligible for re-election" and inserting in their place the words "and shall not be eligible for re-election until a period of twelve months has intervened," and to make such variations and alterations in the existing Bye-laws as may be necessary to give effect to the above amendment of Bye-law 4.

(2) To rescind Bye-law 5.

That intimation reached the Council within a few minutes of the official time when a notice of that character should reach them, and after their meeting. They sent the notice to their solicitors, who wrote as follows: "We must advise "you that the motion is not in order, inasmuch as the latter "part of the motion contemplates alterations being made in "the Bye-laws consequentially on the alterations made by "the first part of the motion, and in our view all alterations "in the Bye-laws must be made directly and expressly, and "not consequentially." In the circumstances, he (the President) asked Mr. Colville to be kind enough to see Mr. Windus, who very obligingly said that, in view of the advice the Council had received, he would not press the matter on this occasion. He (the President) suggested that Mr. Windus, if he desired certain alterations, should give sufficient notice to enable his suggestion to be considered by the solicitors of the Council, and, at any rate, be in such a form that it could be considered. In the circumstances, therefore, he could not permit that resolution to be moved. The business of the meeting was, therefore, at an end.

Mr. E. E. Price, F.C.A. (London), proposed a vote of thanks to Mr. Peat for his conduct in the chair. He had made a very exhaustive and interesting speech, dealing with the position of the Institute, and they also appreciated the very full, courteous, and tactful answers which he had given to the questions raised. What he had done on the present occasion was a small part compared with the work he had undertaken during his year of office, and he hoped all present would join in expressing hearty thanks to Mr. Peat. (Hear, hear.)

Mr. A. F. Whinney, F.C.A. (London), seconded the vote, and it was heartily accorded.

The President briefly acknowledged the compliment, remarking that he could only claim that, in common with all Presidents who had preceded him, he had attempted to do his duty. (Applause.)

The meeting then terminated.

The Chartered Accountants' Benevolent Association.

Annual General Meeting.

The twenty-first annual general meeting of this Association was held immediately after the general meeting of the Institute, Sir Walter N. Fisher presiding in the unavoidable absence of the President of the Association, Mr. E. Waterhouse, F.C.A.

The Hon. Secretary (The Hon. George Colville) read the notice convening the meeting.

The following were taken as read:—

Report and Accounts.

1.—The Association on the 31st March 1907 consisted of 530 members, viz.:—

The President,
33 Vice-Presidents,
11 Life Governors,
56 Annual Governors,
48 Life Members,
381 Annual Members,

being an increase of 99 during the year.

2.—The Board of Governors have to thank members of the Institute for the gratifying response made during the year to the President's appeal for increased subscriptions. The result has been an addition to the annual subscription list of £213 3s.

A large proportion of the increased income has, however, been absorbed by increased calls for relief.

3.—Donations amounting to £2,363 10s. 6d. have been received, including the munificent donation of £2,000 from Mr. W. B. PEAT, F.C.A., the President of the Institute.

This gift, which at the request of the donor is to be known as the "Edith Peat Gift," has been separately invested, and its income is applicable to the general purposes of the Association.

Mr. GÉRARD VAN DE LINDE has kindly defrayed the cost of Postage, Printing, Stationery, and Petty Expenses, amounting during the past year to £34 18s. 1d., and has intimated his intention of again doing this for the current year.

4.—The Special Fund formed for the relief of necessitous clerks (not members of the Institute), or their widows, having become nearly exhausted, an appeal was made in the course of the year, and a sum of £222 4s. collected on this account.

5.—During the year ended 31st March 1907 the Executive Committee afforded relief in the following cases:—

Initials	Age	Qualification for Relief	Date of First Grant	Amount of Previous Relief Given			Short Details of Case	Amount paid during Financial Year			Manner in which Relief given
				£	s	d		£	s	d	
W.G.	61	Widow of Provincial Member.	1893	328	0	0	Except for what assistance is received from her four step-children has no other means. In weak health.	26	0	0	At rate of 10/- per week.
H.A.	69	Widow of London Member.	1893	306	12	10	Left practically destitute. Deaf.	25	0	0	At rate of £25 a year, payable quarterly to date.
A.J.E. ...	55	Daughter of London Member.	1903	116	5	0	Unmarried and in reduced circumstances. Mother previously in receipt of relief.	40	0	0	At rate of £40 a year, payable quarterly.
E.W.E...	64	Widow of London Member.	1897	463	15	0	Left destitute; indifferent health. Entirely dependent on charity.	56	5	0	At rate of Fifty Guineas a year, payable quarterly. A donation of £3 15s. was also made towards the expenses of her daughter's funeral.
E.H.	72	Widow of London Member.	1899	203	9	9	Has a small allowance from her late husband's firm, otherwise without means.	30	0	0	At rate of £30 a year, payable quarterly.
B.H.	77	Formerly Provincial Member.	1900	203	0	0	In distress owing to age, ill-health, and inability to obtain sufficient business to support himself and family.	52	0	0	Payable at rate of £1 a week.
P.A.	58	Widow of Provincial Member.	1901	152	10	0	Left practically without means, and with invalid children to support. Has some assistance from other children. Lets apartments.	40	0	0	At rate of £30 a year, payable quarterly, together with a donation of £10.
M.J.T. ..	63	Former Provincial Member.	1888	112	0	0	In distress owing to age, ill-health, and inability to obtain work.	13	0	0	Grant of £13, at the rate of 10/- a week for 6 months.
P.A.C. ..	43	Widow of London Member.	1901	220	1	2	Left with very insufficient means and a family of nine to support (eldest 19).	52	10	0	At rate of Fifty Guineas a year, payable quarterly.
C.E.	81	Widow of London Member.	1903	105	0	0	Left totally unprovided for, and dependent on a daughter with whom she lives.	30	0	0	At rate of £30 a year, payable quarterly.
S.E.	60	Widow of Provincial Member.	1903	145	0	0	Left insufficiently provided for, and invalid son to support. Has been most unfortunate in her efforts to obtain a living.	30	0	0	At rate of £30 a year, payable quarterly.
C.O.	55	Former Provincial Member.	1903	62	0	0	Out of employment and with no means until October 1906.	13	0	0	At rate of 10/- a week.
C.J.A. ..	54	Widow of London Member.	1903	100	0	0	Left without means, and unable to earn a living.	40	0	0	At rate of £40 a year, payable quarterly.
C.J.E. ..	47	Widow of London Member.	1903	75	0	0	Daughter-in-law of C.E., with three children. Lets apartments.	40	0	0	At rate of £40 a year, payable quarterly.
M.M. ..	61	Widow of London Member.	1903	53	0	0	Has invalid children, and is crippled with rheumatism. No means.	19	10	0	At rate of £26 a year, excepting for one quarter when the grant was not required.

				£ s d		£ s d	
L.M.	39	Widow of London Member.	1903	118 2 6	Left with two young children. Has a pension of £20 a year from the Pewterers' Company.	52 10 0	At rate of Fifty Guineas a year, payable quarterly.
H.H.E...	67	Former Provincial Member.	1904	80 0 0	In reduced circumstances and bad state of health, with a wife to support.	52 0 0	At rate of £1 a week.
Y.H.	72	Former Provincial Member.	1904	73 0 0	In distress owing to failing health and mental weakness.	52 0 0	At rate of £1 a week.
E.B.M...	33	Daughter of E.W.E.	1905	25 0 0	Has small poultry farm in Canada.	25 0 0	At rate of £25 a year, payable half-yearly.
R.M.A...	63	Widow of Provincial Member.	1905	52 10 0	Permanent invalid. Left with a son and daughter both dependent on her, the former being of weak intellect.	52 10 0	At rate of Fifty Guineas a year, payable half-yearly.
P.J.	81	Provincial Member.	1905	26 5 0	In reduced circumstances owing to age and state of health. Had step-daughter and niece partially dependent on him. Died Feb. 1907.	52 10 0	At rate of Fifty Guineas a year, payable quarterly.
S A.B. ..	27	Daughter of London Member.	1905	20 0 0	To assist her in getting change of air after illness.	5 0 0	Donation.
A.E.S. ..	53	Widow of Provincial Member.	1906	5 0 0	Left practically without means and with two children and her mother-in-law dependent upon her.	35 0 0	Donation of £5, and subsequently grant of £40 a year, payable quarterly.
P.H.M...	41	Widow of Provincial Member.	1906	5 0 0	Left without means. Now in a hospital learning the duties of a nurse.	38 7 0	Fees for training at hospital paid, together with donation of £10.
B.M.....	66	Wife of London Member.	1906	—	Bedridden for many years.	11 0 0	At rate of £1 a week from 18th January 1907.
B.E.	30	Daughter of London Member.	1906	—	On death of father in 1906, left in debt and absolutely without means. Mother bedridden, and sister out of work. Daughter of B M.	52 10 0	Donations at intervals for support of herself, mother, and sister.
R R.T.J.	58	Widow of Provincial Member.	1906	—	In husband's lifetime in affluent circumstances, but now left with very small income owing to some litigation with regard to a trust for which her husband's estate became liable.	22 10 0	At rate of £30 a year, payable quarterly.
S.M.	43	Widow of Provincial Member.	1906	—	Very delicate health, and left without any means. Three children living with her earning 36/6 a week between them.	18 15 0	At rate of £25 a year, payable quarterly.
N.A.E...	49	Widow of Provincial Member.	1906	—	In reduced circumstances.	5 0 0	Donation.
H A.C...	48	Member of Institute.	1906	—	Out of employment. Wife and three children to support. Was subsequently found some work.	5 0 0	Donation.
H J.L. ..	46	Widow of London Member.	1906	—	Has a young child and aged mother to provide for, and very small income. Taking lessons in cooking.	20 0 0	Donation to pay for lessons in cooking.
						£ 1,006 17 0	

SPECIAL FUND.

				£ s d		£ s d	
J.E.	75	Clerk to Chartered Accountants.	1893	225 7 6	Unable to continue his occupation owing to age and bodily infirmities. Has no means.	26 0 0	At rate of 10/- a week.
H.A.M...	55	Widow of a Clerk to Chartered Accountants.	1895	276 0 0	In very poor circumstances. Formerly tried to make a living by keeping a small shop. Has creeping paralysis.	26 0 0	At rate of 10/- a week.
B.P.W...	50	Clerk to Chartered Accountants.	1906	—	Out of employment.	2 0 0	Donation.
G.E.		Widow of a Clerk to Chartered Accountants.	1903	5 0 0	Very poor.	2 10 0	Donation.
						£56 10 0	

6.—The Honorary Auditors, Mr. E. Hobbs, F.C.A., and Mr. F. L. Fisher, F.C.A., retire, and are eligible for re-election.

7.—The accounts for the year ended 31st March 1907, duly audited, are annexed to this report.

Edwin Waterhouse,
President.

11th April 1907.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION.

Capital Account for the year ended 31st March 1907.

Dr.	£ s d	*Cr.*	£ s d
To Balance carried forward	13,217 12 4	By Balance on 31st March 1906	10,854 1 10
		,, Donations	363 10 6
		,, Donation from Mr. W. B. Peat (Edith Peat Gift)	2,000 0 0
	£13,217 12 4		£13,217 12 4

Income and Expenditure Account for the year ended 31st March 1907.

Dr.	£ s d	£ s d	*Cr.*	£ s d	£ s d	£ s d
To Current Expenses:—			By Subscriptions:—			
Printing and Stationery ..	27 7 5		68 Governors at	3 3 0	214 4 0	
Postage and Petty Expenses	7 10 8		9 Members ,, ..	2 2 0	18 18 0	
		34 18 1	391 Members ,, ..	1 1 0	410 11 0	
,, Relief granted		1,006 17 0				643 13 0
,, Surplus for the year as per Balance Sheet		25 19 5	,, Interest and Dividends on Investments ..			379 2 5
			,, Bank Interest			10 1 0
			,, Mr. Gérard van de Linde, for current expenses *per contra*			34 18 1
		£1,067 14 6				£1,067 14 6

Special Fund Account for the year ended 31st March 1907.

Dr.	£ s d	*Cr.*	£ s d
To Relief granted	56 10 0	By Balance on 31st March 1906	34 14 4
,, Balance, as per Balance Sheet	200 8 4	,, Donations	222 4 0
	£256 18 4		£256 18 4

Hanson Fund Account for the year ended 31st March 1907.

Dr.	£ s d	£ s d	*Cr.*	£ s d
To Payments to Beneficiaries ..		40 0 0	By Balance on 31st March 1906	466 0 3
,, Loss on Sale of Stock		3 4 7	,, Interest on Investment	14 0 0
,, Balance on 31st March 1907, viz.:—				
£330 London, Tilbury and Southend Railway 4% Debenture Stock at cost	425 3 3			
Cash in hands of Board of Governors	11 12 5			
		436 15 8		
		£480 0 3		£480 0 3

Taylor Fund Account for the year ended 31st March 1907.

Dr.	£ s d	£ s d	*Cr.*	£ s d
To Payments to Mrs. Taylor ..		41 9 10	By Balance on 31st March 1906	855 13 5
,, Loss on Sale of Stock		1 2 0	,, Interest on Investment	27 9 10
,, Balance on 31st March 1907, viz.:—				
£775 Brighton Corporation 3½% DebentureStock at cost ..	834 9 7			
Cash in hands of Board of Governors	6 1 10			
		840 11 5		
		£883 3 3		£883 3 3

Dr. *Balance Sheet, 31st March 1907.* *Cr.*

	£ s d
To Capital Account	13,217 12 4
„ Special Fund Account	200 8 4
„ Hanson Fund Account	11 12 5
„ Taylor Fund Account	6 1 10
„ Subscriptions paid in advance ..	24 3 0
	£13,459 17 11

	£ s d	£ s d
By Investments on Capital Account at Cost:—		
General Funds:—		
£500 2½% Consolidated Stock	442 13 8	
£300 Bank of England Stock	991 19 8	
£300 Bank of Ireland Stock	1,118 8 9	
£750 London County 2½% Consolidated Stock ..	642 9 7	
£1,500 London and North Western Railway 3% Debenture Stock	1,398 16 6	
£1,250 Great Western Railway 4% Debenture Stock..	1,562 18 0	
£1,304 6s. 8d. Great Northern Railway 3% Debenture Stock	1,352 6 3	
£1,000 South Eastern Railway 4% Debenture Stock	1,359 3 8	
£1,119 15s. 0d. Midland Railway 2½% Debenture Stock	1,044 3 5	
		9,915 14 6
Mrs. Deloitte's Bequest:—		
£1,010 13s. 9d. Metropolitan Water (B) 3 % Stock ..	1,000 0 0	
		1,000 0 0
"The Edith Peat Gift":—		
£1,083 15s. 7d. London County 3 % Consolidated Stock	964 12 5	
£1,000 Fishguard and Rosslare Railway and Harbour Co. Guaranteed Pref. 3½ % Stock	1,035 7 7	
		2,000 0 0
		12,915 14 6
„ Debtors on Loan Account ..		35 0 0
„ Cash at Bankers	485 8 10	
„ „ in hand	0 10 11	
		485 19 9
„ Income and Expenditure Account:—		
Deficit on 31st March 1906	49 3 1	
Less Surplus for the year ended 31st March 1907 ..	25 19 5	
Net Deficit ..		23 3 8
		£13,459 17 11

We have examined the above Accounts with the Books and Vouchers of the Association, and certify the same to be correct. We have ascertained that the securities are registered in the names of the Treasurers. The Bankers have certified the correctness of the Bank Balance.

London, April 16th 1907.

E. HOBBS, F.C.A.
F. LINDSAY FISHER, F.C.A. } *Honorary Auditors.*

The Chairman on rising to move the adoption of the Report and Accounts said he was sure all present would agree with him in expressing regret at the absence of their President, Mr. Waterhouse. (Hear, hear.) That gentleman took the deepest interest, not only in the Institute itself, but especially in the Benevolent Association, and it must be as gratifying to him as it was to those attending that meeting to see in the report much to encourage, although he ventured to think there was much to discourage. The encouraging part was that they now numbered 530 members, with an increase during the past year of 99. He believed he was right in saying that that increase was due very largely to the energy and activity of their President. It would be noticed from paragraph 2 of the report that the result had been an addition to the annual subscriptions of £213 3s. Here again was ground for encouragement. But turning in the opposite direction they found that, roughly speaking, out of a total of something like 2,600 practising accountants in

connection with the Institute, only 503 were in any way subscribers or members. Surely they ought to consider whether something could not possibly be done to bring the Association under the notice of the large number of their members who really did not subscribe at all. It did not follow that they were all to be asked to be vice-presidents or governors, but a nominal subscription—whether it was a guinea, a half guinea, or five shillings—from anything like the number who did not at present subscribe would add very materially to the income and the funds of the Association. (Hear, hear.) It might be said they had as much as they wanted. He wished those who thought that would read the accounts printed in the report for the past year, and that they could hear the applications which were made, which was an indication of the sad distress that seemed to prevail right and left. Then they might ask themselves the question, how soon it might be the lot of others to make similar applications. Surely they, as Chartered Accountants, and especially those who had been successful in their practice, were able, desirous, and willing, to help those who were in want. Surely if only the members would think thus, they would stir themselves up to give something in connection with an act of mercy and an act of charity. The Benevolent Society supplied a great want, and it would be a very sorry day for the Institute to find its funds diminishing. Therefore he hoped they might prevail upon the energetic *Accountant* newspaper to once more sound the note of a desire to increase the funds of the Association, and, as a result, if only a small proportion of the non-subscribers would give a little it would materially help the Committee and enable them to do more in the way of assisting those who were in need. He was assured by the President that on many occasions during the past year the Committee had had such depressing cases brought before them that had they had funds in hand they would readily have given a larger grant than they had been able to. Then, again, as the membership of the Institute increased, a greater demand must come on the Association. He urged, therefore, all those who took an interest in the welfare of the Association to do what they could in their various centres, and, wherever they knew there was a practising accountant, to try and obtain more subscribers and do something to help those who were unable to help themselves. He could not pass over the report without referring to the very gratifying gift from the President of the Institute, Mr. Peat, of £2,000 to the Benevolent Association. (Applause.) It would be noticed that this gift was, at the request of the donor, to be known as the "Edith Peat Gift," to be separately invested, and its income to be applicable to the general purposes of the Association. This was another instance of the generosity of Mr. Peat. He could well understand that it would have been very difficult for the President of the Institute to have remained to occupy the post that he himself had been asked to occupy, knowing that reference must be made to this exceptionally generous gift. They remembered, in connection with the Institute, that not long ago Mr. Peat gave £1,000 to be invested as a "Fletcher Prize." Now, almost within twelve months, they were receiving a second gift at the hands of Mr. Peat, and he (the Chairman) was sure they would all desire to express to that gentleman their sincere and heartfelt thanks for his generosity and the great interest he took in the profession and in the Benevolent Association. (Applause.) He might add that as the recent gift from the President of the Institute was to be called the "Edith Peat Gift," they desired to express also the pleasure they would have in handing down to posterity the name of Peat, always so generous and so good in the interests of the profession. He could not conclude without referring to the good work of their friend, Mr. van de Linde, who again had borne certain expenses in connection with postage and printing. Mr. van de Linde had been a good friend to the Benevolent Association, and he trusted that gentleman might live long to continue such friendship. (Applause.) He concluded by moving the adoption of the report and statement of accounts.

Mr. J. B. Ball, F.C.A., seconded the motion.

Mr. W. M. Barnard, F.C.A., desired to ask a question. It occurred to him, while listening to the Chairman's somewhat doleful remarks with regard to the number of subscribers, that they had just held a meeting of the Institute itself, at which it was reported that the balance of income over expenditure was something like £3,000—an excess which, he believed, occurred from year to year. It was, in fact, many years since it was below £3,000. Was it not within the province of the Institute to vote something to the Benevolent Fund? It might be that this was contrary to the Bye-laws, but surely the Bye-laws could be altered to meet the case.

The Chairman replied that it would be remembered that this question had been raised many times before. They had no power under the Charter or under the Bye-laws to do what was suggested; but it had been held by members over and over again that, even if they had, the funds of the Institute ought not to be used for the purposes of a charitable institution. (Hear, hear.)

Mr. J. Mather, F.C.A., inquired, as a matter of information, whether it was contrary to the Bye-laws for the Council of the Institute to have voted 100 guineas a few years back to the assistance of certain people who went out to engage in a war?

The Chairman said he thought he would rather that Mr. Mather should ask the President that question next year. (Laughter.) He believed he was right in saying that it was not the Council who made that grant, but that the

members of the Institute did it themselves. If, however. Mr. Mather and he (the Chairman) were alive twelve months hence, the question might very well be put then.

The motion was carried.

Mr. T. BOWDEN, F.C.A., proposed the re-election of Mr. E. Hobbs, F.C.A., and Mr. F. L. Fisher, F.C.A., as Honorary Auditors, and in doing so said that he thought the members should express their thanks to these gentlemen for their services in the past year, and hope that they would continue to do this duty on behalf of the Association in the ensuing year. While he was on his legs he might add that he thought something more should be done for the Association in the provinces. He alluded to this matter last year, and he was glad to say that Newcastle-on-Tyne stood out as doing its duty to this Benevolent Fund, and the result was owing entirely to his taking a little trouble about it. He believed that many of the members of the Institute only wanted to have this matter brought particularly before them to induce them to subscribe. (Hear, hear.) He threw this hint out to members who might be present from the provinces, because he was quite sure that what was done in Newcastle might be done in other towns.

Mr. E. D. WHITE, F.C.A., in seconding the resolution, suggested to the Committee the desirability of appointing Sub-Committees in the provinces to deal with this matter specially. He thought that a great deal might be done if those Committees could accept responsibility in the matter and could undertake to use their local influence. He was quite sure that personal application would yield far better results than any number of circulars. It would also give the local members a certain amount of responsibility, and he thought that the result would be much more encouraging.

Mr. T. GREGORY, F.C.A., remarked that so far as Manchester was concerned, it did not occupy even yet as good a position as he would like, but still there was an improvement in the position since last year. That was due to a great extent to personal application. In the report just issued by the Manchester Society of Chartered Accountants there was a reference to the claims of the Benevolent Association and a request to the members to subscribe. That report had just been issued, and he did not know whether it had had any result.

Mr. J. W. BARBER, F.C.A., thought they might encourage some of the members to subscribe by letting them know that they could give less than a guinea. The standard seemed to be a guinea, but if they encouraged some of the younger members to give half-a-guinea he believed they would get much more money than by aiming at getting a guinea from each. Undoubtedly some of the younger members would feel a guinea rather a heavy tax on them, whereas if they were encouraged to give half-a-guinea they would do it cheerfully.

Mr. T. G. SHUTTLEWORTH, F.C.A., said he thought something of that kind had been done in the past. The local Societies had made collections. He thought he was right in saying that both Manchester and Sheffield made some collections from the members. Sheffield, he believed, did, and the sum of £27 4s. 7d. which appeared in the list of donations was partly made up in that way.

The HON. SECRETARY said he did not think that was so. It was before his time, but he rather thought that amount was the balance from some autumnal meeting.

Mr. SHUTTLEWORTH said there was a request to Sheffield to make similar contributions, and he was under the impression that some members had complied. However, he quite agreed with the suggestion that it was desirable that the local Societies should collect. In Sheffield a good deal had been done by personal application to the members, and a little while ago the list of subscribing members was considerably increased. He hoped it would be further increased in the future.

The CHAIRMAN said, with reference to the suggestion about Sub-Committees of provincial Societies, it had been long felt that local Societies were the right centres to appoint small Sub-Committees or Canvassing Committees to augment the list of subscribers in connection with this fund. They were on the spot, and knew the various people, and they had taken a deep interest in the Association. This was done at Liverpool, and also in Birmingham, with very good results, and he thought their friends in Manchester, although they were issuing an appeal, might well emulate the example of Birmingham, because he found that although an appeal had been made the result was only one subscriber.

Mr. SHUTTLEWORTH remarked that the appeal had only been sent out some three or four weeks ago, but during the last twelve months there had been several new subscribers. Three or four which he could name off-hand had been the result of his personal appeal.

The CHAIRMAN said that was perfectly true, but he thought there was a great deal more to be done around Manchester. He quite agreed with the suggestion made by Mr. Barber. There was no doubt that the more they could make it known how gladly they would receive subscriptions of half-a-guinea as well as a guinea the better it would be for the Association, and it might possibly increase their number. He was told by the Hon. Secretary that that possibly might mean some slight amendment in the rules, but he was quite sure that the members would gladly make that amendment at some future time if it were shown that there was an inclination on the part of members to subscribe half-a-guinea where they did not see their way to give a guinea.

The motion was carried unanimously.

Mr. F. W. Pixley, F.C.A., said they ought not to separate without passing a vote of thanks to Sir Walter Fisher for so kindly presiding in the absence of Mr. Waterhouse. He wished also to take the opportunity of thanking the Hon. Secretary for all the work he had done during the past year. (Hear, hear.) There was a great deal to do in connection with the collection of subscriptions and the administration of the fund generally.

Mr. John Gane, F.C.A., in seconding the motion, referred to the extreme versatility of the Chairman, remarking that it was within his knowledge that Sir Walter was not aware half-an-hour before the meeting that he would have to be the presiding genius, and the fact that he could come in that time prepared with an interesting address spoke volumes for his general ability.

The motion was cordially adopted.

The Chairman briefly acknowledged the compliment, stating that their thanks were not only due to the Hon. Secretary, Mr. Colville, but also to the members of the staff, who worked most willingly and generously in helping forward this movement, which they had so much at heart.

The proceedings then terminated.

Union of Chartered Accountant Student Societies.

Prize Essay Competition.

The result of Mr. W. B. Peat's arbitration in the prize essay competition, "The Uses and Limitations of the Card, "Loose-leaf Ledger, and Slip Systems in relation to matters "of Account," is as follows:—

1st prize, Mr. N. Doyle, London Chartered Accountant Students Society.

2nd prize, Mr. S. P. Short, Sheffield Chartered Accountants Students' Society.

3rd prize, Mr. Stewart Green, Sheffield Chartered Accountants Students' Society.

Municipal Parliament.

(From *The Municipal Journal.*)

The annual meeting of the Association of Municipal Corporations was held in the Council Chamber of the Guildhall, City of London, on Thursday, the 18th ult.

The New President and Vice-President.

The Lord Mayor (Alderman Sir W. P. Treloar) took the chair at the opening of the proceedings, and welcomed the delegates to the City of London. He said he was quite certain that their deliberations would be to the benefit of the municipalities the Association represented, and therefore of benefit to the whole country. He would move that the best thanks of the Association be accorded to Mr. Harmood-Banner for his valuable services and assistance during the past year as Vice-President, and that he be elected President for the ensuing year. He was confident that Mr. Harmood-Banner would make an excellent President.

The Lord Mayor of York, in seconding, said they would have cause to congratulate themselves if they secured Mr. Harmood-Banner's services.

The motion was unanimously carried.

Mr. Harmood-Banner, having taken the chair, said he desired to thank them most heartily for his election to the Presidency of the Association, and also for the vote of thanks. He was, as some of them might know, not new to municipal life, as he had acted for a good many years as Chairman of the Finance Committee of the Liverpool City Council. In that capacity he had both learned to admire, to desire the dignities, and to assist in every way the interests of municipal life. He hoped he might worthily fulfil the duties of his new office. If he failed, it would not be for lack of zeal on his own part. His first duty was to ask them to express their thanks to the Lord Mayor for his interest in the affairs of the Association, and for his witty and excellent speech on the preceding evening, and for permitting them the use of the room in which they were met.

A vote of thanks having been accorded,

Mr. J. H. Thewlis, ex-Lord Mayor of Manchester, moved that Mr. A. H. Scott, M.P., be elected Vice-President of the Association for the ensuing year. He said that when Sir James Woodhouse, their late President, was appointed to the post of Railway Commissioner he now occupies, the question arose as to how the Association was to be officered, and a special Sub-Committee was appointed to deal with the matter. The whole subject was considered as one of the greatest importance, as they all knew how essential it was that they should have men of considerable municipal experience and qualifications enabling them to promote the interests of municipal measures. Mr. Harmood-Banner was happily prevailed on to accept nomination to the post of President, and after a good deal of deliberation the Sub-Committee finally fixed upon Mr. Scott for the office of Vice-President. He was confident that if they appointed Mr. Scott they would have a man well able to discharge any duties they might require of him. He was a man of considerable municipal experience, vigour, and energy, and a man of integrity.

The resolution was seconded by the Mayor of Hull, and carried unanimously.

Mr. Scott said he appreciated very heartily this honour they had just conferred upon him. As his friend Mr. Thewlis said, he had had considerable experience in municipal life; of Parliamentary life he had had but a brief experience. Of this, however, he was convinced, that those great questions that municipalities felt so keenly about would have to be developed and achieved by the municipalities themselves, and not by Parliament. He was sure that, in taking this office he would take it with the full knowledge of the responsibilities associated with municipal government, determined to use whatever influence he could to support those municipalities, regardless of party. He believed that by their united activities they would not only achieve greater liberty for municipalities, but they would stop any infringements of the liberties they now possessed. That would be the work to which he would devote himself in Parliament. In conclusion, he thanked them for giving him the opportunity of being of assistance to the municipal governments of this country.

Election of the Members of the Council.

The Secretary reported that the voting for the constituent members of the Council—viz., 30 county boroughs, 30 non-county boroughs, and two metropolitan boroughs—had resulted as follows:—

Thirty County Boroughs.—Hull, 55; Nottingham, 52; Liverpool, 50; Bradford, 48; Southampton, 47; Hastings, 45; Sunderland 45; Wolverhampton, 45; Blackpool, 44; Bournemouth, 44; Brighton, 44; Huddersfield, 44; Leeds, 44; Bath, 43; Bolton, 43; Leicester, 43; Manchester, 43; Reading, 43; York, 43; Chester, 42; Croydon, 42; Birmingham, 41; Derby, 41; Northampton, 41; Plymouth, 41; South Shields 41; Burnley, 40; Coventry, 40; Rochdale, 39; Stockport, 39 votes.

Thirty Non-County Boroughs.—Abingdon, 129; Leamington, 126; Winchester, 123; Scarborough, 123; Peterborough, 119; Wallingford, 119; Folkestone, 117; Bridgnorth, 116; Harrogate, 116; Wisbech, 115; Leigh, 113; Lowestoft, 112; Eccles, 111; Doncaster, 108; Torquay, 108; Macclesfield, 107; Windsor, 107; Ealing, 106; Crewe, 105; Dover, 105; Shrewsbury, 105; Eastbourne, 104; Nelson, 103; Luton, 101; Stockton-on-Tees, 97; Longton, 94; Wakefield, 89; Carlisle, 88; Cheltenham, 83; Cambridge, 71 votes.

Two Metropolitan Boroughs.—Woolwich, 4; Hampstead, 3.

The President's Speech.

The President then proceeded to move that the report for the year 1906, and the Secretary's statement of accounts, be received, approved, and printed and circulated amongst the members. He said:—I think you will like me first to express on your and my behalf our great regret at the retirement from his position as President, to which he was elected last year, of our good friend Sir James T. Woodhouse, M.P. We foresaw that one who is of such great service to the Council of the nation would soon obtain the advancement which his distinguished record deserves, and we congratulate him upon his appointment to the position of Railway Commissioner—an office in which he will be of the greatest service to our national interests. We were all pleased last night to observe that he still, like Sir Albert Rollit, takes the warmest interest in our proceedings. I allude with regret to the account of receipts and payments in the report, as I find that the balance of cash at the bank is less at the end of the year than at the commencement of the year, and therefore it shows that our payments have exceeded our receipts. Fortunately, we have a good balance in hand, which is there only for the purpose of being used, and I have no doubt that the future, in the hands of such influential bodies as our municipal corporations, will take care of itself, and we need have no fear. We have only added one additional borough to our number, the borough of Wimbledon. Now, amongst the great number of bills (about eighty) which came under the cognisance of our Association, and especially of the Law Committee, during last year were, notably—The Unemployed Workmen's Act, 1905; the Education Bill, 1906; the Training of Teachers, and the Bill passed by the President of the Local Government Board as a result of our representations in the case of *Godden v. Hythe Burial Board*, to remedy the evil complained of. The duties of Parliament are becoming every year more exacting, and therefore we rely on associations like yours and others to assist us by submitting Bills clothed in such a dress as will make them intelligible to the public. I should like shortly to refer to the subject of planning of suburbs, which was introduced by the Lord Mayor of Manchester, and also the Motor-Car Commission, for which we are greatly indebted to the valuable evidence of Mr. E. R. Pickmere, the Town Clerk of Liverpool.

The Planning of Suburbs.

The subject of the planning of suburbs is still under the consideration of a committee. I think we feel that if a scheme of this sort can be carried out it is one we should all like to support. We would like our suburbs to be things of beauty and joys for ever, and to prevent the existence of that state of things which has occurred in the past of creating dry, arid, and uninteresting streets of no use to the community except as eating and sleeping places, and depriving the suburbs of the width and air so necessary to the health of the people. If a well-matured scheme is applied early, the expense of wide, beautiful streets is small, whereas when buildings have been erected and streets made the expense of alteration is very heavy, and

however much improvement may be desired, the expense falling upon rates forbade the indulgence.

Motor-Cars and Highway Expenditure.

In reference to the Motor-Car Commission, the evidence given by Mr. Pickmere on behalf of the Association was extremely valuable, and whilst the Law Committee differ from the suggestions of the Motor-Car Commission, I think we shall probably back up the opinion of our Law Committee. As you know, our Law Committee are strongly of opinion that there shall be no change in the allocation of the existing taxes on motor-cars or on ordinary carriages, and that an additional tax should be levied for the special purpose of remedying the evil created by motor-cars. Of course, we are always very jealous of any interference with the money we receive in relief of rates, and in this case our Law Committee very rightly thinks that there should be no withdrawal of the reduction on local taxation grants, but that motorists should pay an additional tax for any excessive damage caused by them to roads in country areas. I am a motorist myself, but I quite think that those of us who use these vehicles should pay for our luxuries.

Audit—The L. G. B. and the Association.

You will probably expect me, as your President of this year, to refer especially to the question of audit of the accounts of municipal corporations. Both as a Chartered Accountant myself, and therefore specially interested in the matter referred to, and also having had the advantage of acting as Chairman of the Finance Committee of the largest city in England outside the metropolis, I may be regarded as having some experience on this question.

The first thing I should like to say would be to express my great regret that no action has been taken, either by the late Conservative Government or the present Liberal Government, on the recommendations of the Joint Select Committee of the Lords and Commons in reference to municipal audit which were issued in 1904. The principal point of those recommendations was to suggest the appointment of professional auditors, members of any of the established Societies of Accountants, in place of the present elective auditor system and the Local Government Board auditor system.

"Under the Heel" of the L. G. B.

Now, I am afraid that unless we use our influence further than by recording the resolution which was passed in December 1904, which read "that the Government be requested to give effect to the report of the Joint Committee with respect to municipal audit at the earliest possible date," we shall find ourselves very shortly under the heel of the Local Government Board. It is not a question of either side in politics—both are alike blameable—but it would seem that the permanent officials very soon acquire the real influence at the Local Government Board, and whilst no one more so than ourselves understands and values the high qualities and integrity and ability of the permanent officials of the Local Government Board, yet we know that they, if I may put it not offensively, have perhaps stereotyped views, no commercial experience like the members of this Association, and take a hard and fast line, which, especially in these days of municipal trading, is not in the interest of the municipalities, and quite contrary to the ease and facility with which we desire to conduct our business.

Well, the evidence we have that an independent audit is not receiving the full consideration it deserves may be shown by one or two examples.

First, the refusal of the Local Government Board auditor to allow a subscription to our Association as part of the expenditure of a London borough and the difficulty we have in obtaining redress.

Audit Clauses in Government Measures.

Next, in the Unemployed Workmen's Act, 1905, the auditors of the Local Government Board, Section 4 (3) and (*g*), are empowered to make resolutions for the audit in the same manner as the auditor of accounts for the public council.

In the Municipal Milk Depôts Bill lately introduced, similar provisions for Local Government Board audit are inserted, notwithstanding the fact that the expenses come out of the general district rate, and in Mr. Haldane's New Territorial Forces Bill similar provisions for Local Government Board audit are included, on the ground, I presume, that there is contribution by the Imperial taxes. This latter matter does not refer to our Municipal Association, but it is an assertion of the principle. We look forward with some apprehension to the report of the Departmental Committee on Local Government Accounts, lest they too should make some suggestions for a Local Government Board audit. We want to have the result of that Committee's deliberations, which we hope will give us some system of accounts which shall be plain and intelligible to members of the community, and show the real position of the municipalities. I believe from my own experience that the municipalities are considerably richer and more solvent than the public believe, and a proper form of accounts will show that. The present tendencies show that we must exert ourselves if we are to keep our municipal expenditure out of the control of the Local Government Board audit. The point which I need not enforce, but which I think we all consider desirable, especially when the extension of trading is going on and ease and rapidity of transacting business is required, besides a wider view of the freedom

requisite to enable municipal trading fairly to compete with ordinary commercial lines, is that we must not be hampered by regulations and by fear that our expenditure will be disallowed by the Local Government Board auditors.

The Four Audits.

There are, as you know, four forms of audit. First, the internal audit of accounts. All the municipalities who can stand the expense ought to have a very close form of internal audit in their accounts. An internal audit means to a great extent audit before payment. You check your voucher for payment before payment is made: you look and see that what you have to pay is duly authorised by standing orders, Acts of Parliament, and the sanction of the Local Government Board. You should exercise that control before payment, and it would save you a great deal of trouble. We all know the elective auditors, and also the Local Government Board auditors, and their respective qualities—I need not refer to them—but no one will accuse them of taking broad and statesmanlike views upon the question of principles of accounts, and in the case of the elective auditors, their position frequently, as nominees of party, deprives their opinions of any real value. The services of the elective auditor are extremely valuable in checking tea-money, lunch-money, &c., but unfortunately he is appointed on a party basis. The Local Government Board auditor is excellent for seeing moneys have been paid in accordance with legal provision, but he is too stringent in looking after the pence without looking after the pounds. The professional audit is the one that gives the greatest confidence. It goes beyond mere questions of payment. It looks to see if the accounts submitted are really true and proper statements of accounts to submit to a community, that capital and revenue are properly apportioned, that reserves are provided, and, in short, that general experience and a large commercial view are applied in the audit of accounts to our municipal trading, so that we can stand up in the face of the world and say that we are presenting an honest and straightforward statement to the community. Strong as we are in the number of our Association, and strong in the fact that we represent the majority of influence of 295 towns and cities, I think we must wake up to use our influence upon our representatives to stop the extension of the principle of the Local Government Board audit, and even if we do not go so far as the recommendations of the Joint Committee suggest, which, however, I think excellent, we must adopt some other course as feasible and as secure. I could dwell on the subject for a long time, but I think I have said enough to emphasise it. I will only say, in conclusion, that I am obliged to the Association for electing me their President, and that I am proud of being connected with the patriotism, energy, and ability which the members of this Association devote to their fellow-citizens. (Applause.)

Mr. J. Parker, M.P. (Halifax), seconded. He remarked that if the Association wished to make use of its power it was necessary for it to concentrate on one or two important points, and then Parliament would have to carry out what it desired.

Control of Advertisement Hoardings.

Before the motion was put, the Mayor of Barrow-in-Furness referred to the Advertisements Regulation Bill, which was mentioned in the report. He said it struck him, in reading the Bill, that it would only go a short way in achieving the object of placing the power of control in the hands of the municipalities. It did not give any control with regard to the subject-matter of advertisements. He suggested that the Committee, if it could see its way in supporting the Bill, might draw the attention of the promoters to one or two matters of that character. It would be common knowledge that many of our towns were disfigured by advertisement hoardings. He did not advocate an unreasonable measure of power, but he did think it would be a very useful thing indeed if the municipalities could control the site and character of the hoardings, so that they might be made reasonably presentable to the eye. In Barrow they had hoardings which were a positive disfigurement to the landscape, and placed in unsuitable and undesirable positions. They had them, for instance, on each side of an important church, quite close to the entrance gates. The pictures were not always of a desirable character in any case, and it was specially objectionable to have them close to a place of worship. Another point was that advertisements were not always removed when they ceased to fulfil the purpose for which they were erected.

The President assured his Worship that the Bill would be dealt with in due course by the Parliamentary Committee.

The report was then carried.

Appointment of Treasurer.

On the motion of the Mayor of Southampton, seconded by Councillor Lee, ex-Lord Mayor of Liverpool, Alderman Sir W. P. Treloar, Lord Mayor of London, was appointed Treasurer of the Association for the ensuing year.

The Law Committee.

The Mayor of Walsall moved:—

That the best thanks of this Association be tendered to the Town Clerks of Birmingham, Leeds, Liverpool, Manchester, Nottingham, Newcastle-upon-Tyne, Plymouth, and Wolverhampton, for their valuable services during the past year, and that they be appointed

as representatives of the county boroughs upon the Municipal Law Committee.

The Town Clerk of Liverpool moved as an amendment that the Town Clerk of Blackburn be added.

The Secretary pointed out that this would involve an alteration of the rules. The number of the Committee was fixed by them.

The resolution was thereupon carried.

A similar resolution was passed as regards the Town Clerks of Crewe, Durham, Eastbourne, Harrogate, Longton, Macclesfield, Scarborough, Stockton, as representatives of the non-county boroughs, and of Hampstead and Woolwich as representatives of the metropolitan boroughs.

Alteration of Rules—Election of Council.

On the motion of the Mayor of Great Yarmouth, the following report of the Law Committee was adopted:—

Report.

The Law Committee have had under consideration the following resolution passed at the last autumn general meeting, namely:—

That it is desirable that Rule VI. should be altered so as to provide that, in cases of doubt, county boroughs, non-county boroughs, and metropolitan boroughs should respectively only vote for corporations representing their own class of boroughs, and that it be referred to the Law Committee to prepare such amendments in the rules as will give effect to this resolution, and that notice of the proposed alteration be given for the next general meeting.

Agenda.

The Committee recommend that to the existing rule, which is as follows:—

If any doubt arises as to which corporation or corporations should be elected, the doubt shall be determined by the meeting,

the following addition should be made:—

In the determination of such doubt the votes shall be taken of the representatives of only those corporations which belong to the same class as the corporation or corporations with respect to which the doubt has arisen, and where practicable such votes shall be taken by means of voting papers.

22nd November 1906.

Loan Repayment Periods.

Alderman Smith (Halifax) moved the following resolution:—

That in the opinion of this Association it is desirable the Public Health Act, 1875, Section 234 (4) and Standing Order 173A of the House of Commons should be amended so as to allow local authorities a term of 60 years at least for the repayment of moneys borrowed for the purchase of land for waterworks and the construction of such works, and 40 years at the least for pipes, machinery, and other appliances applicable to such waterworks, and that the Council be empowered to take the necessary steps to give effect to this resolution.

He said he hoped the motion would receive their generous support. Of course, they would all agree that there was no greater necessity for the towns and the community than a good supply of fresh water. In the manufacturing districts they required a good deal of water for their various manufactures. The Yorkshire woman considered cleanliness next to godliness, and unless she had a good supply of water she was never content. (A voice: "Why only Yorkshire?") They knew this was the case in Yorkshire, and other parts of the country endeavoured to emulate the feeling. (Laughter.) At Halifax the Corporation had provided twelve large reservoirs, and thought they would have an abundant supply, but when a dry season came they found themselves within a three days' supply. They accordingly considered it wise to begin to increase the reservoirs so that the time of a want of water should not arrive. They borrowed £157,000 for sixty years, for the construction of waterworks, and afterwards found that their engineers had not been able to calculate exactly the depth to which they had to go, so their capital expenditure had increased to £280,000, and he believed it would be £300,000 before they had done. But they would get good value for their money. When they appealed for relief on behalf of the ratepayers they could get nothing but a deaf ear to their appeals. The rate in aid for the water supply had gone up from 1d. to almost 9d. in the pound. At the present moment they were being heavily rated by education, the Rivers Board, and the Asylums Committee. Eight shillings in the pound was a very serious rate for a manufacturing town. They got their representatives, Mr. Parker and Mr. Whitely, to interview the President of the Local Government Board. Mr. Burns gave them a sympathetic hearing, and at his request the Town Council sent full particulars with regard to the position. After some delay they received a communication referring them to the Act of 1902 with regard to loans. Then they made another application which was still under consideration. The Council of the Association had received the same sort of reply. If the Association was to be of any use to municipalities it was time that it adopted some energetic means in order that the towns should be relieved from this great burden from which they suffered to-day. At present they were being discouraged from carrying out such works by the Local Government Board. The Council

should take some energetic means in order to bring before the Local Government Board the absolute and positive necessity for some relief in this matter. He hoped the Council would not fail them.

The President explained that they had been endeavouring to obtain the assistance of the Department on the matter during the past six months.

The motion was seconded by the Mayor of Rawtenstall, who said they ought to have 100 years for land, and carried.

Supply of Milk.

The Town Clerk of Blackburn moved:—

That, in the opinion of this Association, further legislation for the protection of the milk supply is necessary, and that the matter be referred to the Council to take such steps as they may deem advisable.

He said that the Prevention of Disease Act, 1890, gave municipalities power to go outside their own boundaries, and constantly the power was found in the tuberculosis clauses in private Acts in the last six or seven years. But there was a danger of milk contamination arising from the dirty condition of cows and cowsheds. This was no less important than the other matters, in view of the consumption of milk by young children. The matter was before the Association two years ago, when a series of resolutions were passed on the same lines as the provisions of the Acts mentioned. He did not think that any action had been taken on their behalf, but he noticed that a deputation of agriculturists had waited upon Sir Edward Strachey, and suggested that any legislation on this subject might be of a general character, so that the agriculturists should not suffer from the caprices of the local authorities. This deputation, the Town Clerk of Blackburn said, showed the recognition of the need of legislation. If this resolution were passed, the experience which had been gained under the two enactments referred to might be usefully examined and collated before the Association made definite suggestions as to the way legislation should proceed.

Alderman Webb Fowler, of Coventry, in seconding the resolution, said that everyone, and especially those in his district, would admit the need of further legislation.

The Deputy Mayor of Ossett said that as a member of the Sanitary Committee of his Council he had recently visited cowsheds in the neighbourhood, and found some of them not fit for the habitation of rats. It was high time that something was done.

The Town Clerk of Blackpool said he would like to impress upon the Council the desirability of municipalities being vested with power to exclude milk coming into any borough from cowsheds that were not in a sanitary condition.

The motion was carried.

The Domestic Bath.

The Town Clerk of Newport moved:—

That, in the opinion of this Association, it is desirable, in the interests of sanitation, that local authorities should be empowered, if they think fit, to make a bye-law requiring every person who shall erect a new domestic building to provide in such building a bath of adequate capacity, with a good supply of water laid on, and that the Council be requested to endeavour to give effect to this view.

He said he was requested by his Council to move this resolution. It seemed fair that those local authorities that wanted the power should have it.

The motion was seconded by the Mayor of Macclesfield, and opposed by the Town Clerk of Lewes, who thought such a bye-law would be quite unnecessary.

The Town Clerk of Manchester suggested that the matter should be referred to the Council, but the Mayor of Hythe moved the previous question, and this was carried.

Education (Administrative Provisions) Bill.

In the absence of the Town Clerk of Dover, the Town Clerk of Harrogate moved:—

That this Bill be referred to the Education Committee, with instructions to endeavour to obtain the insertion therein of a clause empowering the Board of Education to constitute a borough with a population of 20,000 or upwards a local education authority for the purposes of Part II. of the Education Act, 1902.

Councillor Bishop (Folkestone) seconded the motion, which was carried without discussion.

Payment out of Borrowed Money of Wages of Permanent Workmen.

The Town Clerk of Derby rose to call attention to the circular issued by the Local Government Board to the clerks of county councils, town clerks, and clerks to district councils, dated 4th February 1907, and to refer the question to the Law Committee for the purpose of securing a modification of the terms of the circular so far as it affects the wages of ordinary workmen. He said that the decision of the Local Government Board involved an increase of expenditure in carrying out works, and the only reason for it seemed to be that there may have been some abuse on the part of one or two local authorities who had charged to Capital Account wages that ought to have been charged to Revenue Account. He added that the President of the Local Government Board had declined to receive a deputation on the subject.

The President said the Town Clerks of Eastbourne and Wimbledon were preparing a report on the subject, which would shortly be presented.

The Town Clerk of Eastbourne said that the report referred to had been approved by the Law Committee, and would soon come before the Council, and it would no doubt be decided to ask Mr. Burns to receive a deputation, when the strong feelings of the Association on this question would be represented to him.

Punishable Offences—Penalties.

The Town Clerk of St. Helens moved:—

That if a person charged with an offence punishable on conviction before a Court of Summary Jurisdiction by a fine or penalty, which is to be paid to the informer or to the overseers of the poor or otherwise in relief of local rates, exercises a right to be tried, and is accordingly tried and convicted by a jury, and is ordered to pay a fine or penalty, such fine or penalty ought, in the opinion of this Association, to be paid to the informer, the overseers or otherwise as aforesaid, notwithstanding the person so charged has elected to be tried by a jury, and that it be referred to the Council to take such steps as they may deem advisable.

He explained that in cases where the defendant elected to be tried by a jury the fine went to the Crown. It was a rather technical matter, and he thought it might with advantage be referred to the Council.

The motion was seconded by the Town Clerk of Great Yarmouth, and carried.

Territorial and Reserve Forces Bill.

The Town Clerk of Blackburn moved:—

That in the opinion of this Association this Bill should be amended so as to provide that the representatives of local authorities on the proposed county associations shall be appointed by the local authorities concerned, and that the President and Vice-President be requested to endeavour to obtain such amendment.

The Bill, he said, constituted as they knew county associations on which county councils and county boroughs were to be represented. The representatives were to be appointed not by the county and county borough councils themselves, but by the Army Council, which was to be kind and good enough to consult the councils concerned. It was the most curious form of representation he had ever heard of. If there was to be representation at all it should be real and not sham representation. Local authorities must be allowed to choose their representatives, and not have them forced upon them.

The Town Clerk of Rochdale, in seconding the motion, said he hoped the proposal in the Bill would not be accepted as a matter of course. The present tendency was towards bureaucracy in government. They were not prepared to have the influence of municipal authorities curtailed in the slightest degree.

The motion was carried unanimously.

The Audit Clause of the Milk Depôts Bill.

The Town Clerk of Hull moved:—

That in the opinion of this meeting the provisions contained in the Municipal Milk Depôts Bill proposing to subject the accounts of municipal corporations in respect of the Bill to a Government audit is contrary to the principle of the Municipal Corporations Act, 1882, and is most objectionable; and that all necessary steps be taken to oppose the provision.

Mr. Laverack said that the question of audit had been so fully and ably dealt with in the President's speech that there was no need for him to detain them long in proposing the resolution. The Bill was one giving power to local authorities to establish and maintain milk depôts. The expenses incurred were to come out of the general district rate. Then there was the extraordinary provision that the Local Government Board might make regulations that the receipts and expenditure under this Act should be subject to a Government audit. This provision was at variance with the declarations of the Local Government Board itself. He recalled that he was one of a deputation that waited upon the Local Government Board with regard to the Education Bill, 1902, when a protest was made against the introduction of the Government audit in that connection, but Mr. Long, the then President, said there were special grounds for this as the old school boards were subject to the audit, and the Imperial Government found 60 per cent. of the funds for education. It was not to be considered as an approach to Government audit of municipal accounts. When that question came forward, if at all, it would, so Mr. Long undertook, be dealt with on its merits. But this, said Mr. Laverack, was an approach to a Government audit of municipal accounts generally. In the second place the provision was contrary to the express recommendation of the Select Committee which reported since the deputation he had referred to went before Mr. Long. The recommendation of that Committee was that there should not be a Local Government Board audit. That undoubtedly was disappointing to the Local Government Board. Proceeding, Mr. Laverack said it seemed a most absurd thing that a fund like the general district fund, out of which these milk depôt expenses were to be paid, should have this infinitesimal portion of the fund eliminated and made the subject of a Local Government Board audit, whereas the fund itself was not subject to such audit. The question of audit ought to be considered as a whole, and not taken in

this piecemeal fashion. The proposal in the Bill was absurd.

The motion was seconded by the Town Clerk of Preston, and carried unanimously.

Birth Notification.

The Town Clerk of Lancaster moved:—

That in view of the very great infantile mortality in the country, this Association is of opinion that His Majesty's Government should take steps to at once amend the law relating to the notification of all births, so as to ensure that the local sanitary authority can commence inspection of the children at as early a date as possible, and that this matter be referred to the Council of the Association for consideration.

The Mayor of Colne, who seconded, said they had a voluntary system of birth notification in that town which had proved very successful.

Mr. Benjamin Broadbent (Huddersfield), in rising to support the motion, was greeted with applause. After testifying to the success of the birth notification system in Huddersfield, he said there had recently been formed a small Parliamentary group, on non-party lines, to take charge of the question of infant mortality. They had a Bill which would be influentially introduced, and it was quite possible that it would receive the assistance of the Government, and be passed this session. Under this Bill municipalities would have power to adopt notification.

The resolution was unanimously adopted.

Parliamentary Powers—Notice to Local Authorities.

The Mayor of Dudley moved:—

That, in the opinion of this Association, it should be compulsory for all companies, syndicates, or associations, &c., seeking Parliamentary powers, to give sufficient and due notice by registered letter direct to any local authority through and to whose area they are proposing or seeking such powers, and that a deputation from this Association be empowered to wait upon the Presidents of the Board of Trade and Local Government Board requesting them to embody it in a Bill.

His Worship quoted as an instance of the need of the proposed procedure the fact that the Shropshire Power Bill, by which Dudley was affected, was passed without the corporation having received any effective notice. They only came to know of it when the company failed to raise the required money.

The Mayor of Wednesbury seconded the motion.

The Town Clerk of Liverpool moved that the matter go to the Law Committee for report to the Council. This would involve omitting all the words of the resolution following "such powers." He pointed out that last session through the instrumentality of the Association a new standing order was obtained, which provided that as regards Bills which involved interference with the highways, printed copies of such Bills should be sent on or before 18th December to the road authority.

The Town Clerk of Reading seconded the amendment, which was carried, and the resolution as amended was adopted.

Control of the Elevation of Buildings.

The Mayor of Barrow-in-Furness moved:—

That it be an instruction to the Council to consider the question of the desirability of the Association taking steps to have a Bill introduced into Parliament giving municipal corporations the power to object to elevations for all classes of buildings which in the opinion of the corporation may not be suitable or desirable for the locality.

Councillor Theobald (Doncaster) seconded the resolution, which, after a brief discussion, was rejected.

Triennial Elections.

Councillor Weeks (Bromley) moved:—

That, in the opinion of this Association, it is desirable that Section 13 of the Municipal Corporations Act, 1882, which makes the annual retirement of one-third of the councillors in each provincial borough compulsory, should be so amended as to enable such borough as desired to do so to substitute a triennial retirement of the whole of the councillors; and that the Council be requested to take the necessary steps to obtain such amendment.

In moving the resolution Mr. Weeks quoted figures tending to show the lack of interest manifested by the public in the annual elections.

The motion was not seconded, and therefore fell to the ground.

The meeting closed with a vote of thanks to Mr. Harmood-Banner for the able manner in which he had discharged the duties of the chair.

Called on for his defence at the Middlesex Sessions, a prisoner, says *The Globe*, said that, as Providence was his witness, he was innocent. "No, no, don't talk like that," remarked Sir Ralph Littler, "call somebody who can come here." The last time this judicial joke was uttered it was done by a learned Judge now deceased. "Very well," it ran in his case, "if you have subpœnaed him, call him."

Review.

A Handy Book on the Law of Bills, Cheques, Notes, and I O U's.

By JAMES WALTER SMITH, Esq., LL.D., B.A., of the Inner Temple, Barrister-at-Law.

London, 1907: Effingham Wilson. Price 1s. 6d. net.

This successful little work is chiefly meant, we are told, for the guidance of men and women in business, and that being so, it is a pity that the alteration in the law as to married women, introduced so long ago as 1893, is not noticed, but the law stated as it was under the Act of 1882.

Everyone ought to know by this time that *Pallisser v. Gurney* is no longer law, and that it is not now necessary, in order to render a married woman liable on a bill of exchange, to show that she had separate estate at the date of the contract. The statute, too, of 3 & 4 Anne c. 9, alluded to as though still in force, is as dead as the Queen herself.

These are the only glaring errors we have noted in a more or less cursory perusal of the text, but our remarks as to the Index when recently reviewing Mr. Smith's work on Cheques apply still more forcibly to this reissue of his earlier work.

Personal.

MESSRS. ARTHUR J. DAVIS & Co., Chartered Accountants, of 36 King Street, London, E.C., have taken into partnership Mr. HARRY J. BARCLAY, A.C.A., late of 32 Poultry, E.C. The title of the firm will remain the same as heretofore.

MESSRS. DAWSON, LANGLEY, CHEVALIER & GRAVES, Chartered Accountants, of 51 North John Street, Liverpool, have opened an office at Granville House, Arundel Street, London, W.C., which will be under the personal supervision of their senior, Mr. DAWSON. The management has been entrusted to Mr. W. E. BURNLEY, B.A., A.C.A., who has been on their Liverpool staff for several years.

MESSRS. DUFFIELD & SMITH, Chartered Accountants, of 12 Bennett's Hill, Birmingham, regret to announce the death on the 12th March last of their senior partner, Mr. WILLIAM DUFFIELD. The surviving member of the firm, Mr. EDWIN J. SMITH, has taken into partnership Mr. EDGAR W. DUFFIELD, A.C.A., son of the deceased. The style and address of the firm will remain unchanged.

MESSRS. HEATHCOTE & COLEMAN, Chartered Accountants, of 13 Temple Street, Birmingham, have taken into partnership Mr. ERIC L. HEATHCOTE, A.C.A., as from the 1st of February 1907. Mr. ERIC L. HEATHCOTE is the son of their senior partner Mr. F. J. HEATHCOTE, and has assisted them with their business for the last ten years. The name of the firm will remain unchanged.

MESSRS. THOMAS HORSFIELD, SON & Co., Chartered Accountants, of 86 King Street, and 27 Pall Mall, Manchester, announce that, owing to continued ill-health, Mr. THOMAS HORSFIELD has found it necessary to retire from business, and consequently the partnership has, by mutual agreement, been dissolved. The business will be continued as hitherto, and at the same address as above, by the remaining partners, Mr. J. NEEDHAM and Mr. ERNEST HORSFIELD, under the style of HORSFIELD, NEEDHAM & Co.

MESSRS. KENNEDY & FOX, Chartered Accountants, of 11 Old Jewry Chambers, London, E.C., announce that they have amalgamated their business with that of Messrs. OLDFIELD BROTHERS & Co., of Chesterfield House, Great Tower Street, and will continue to practise at the above address, under the style of KENNEDY, FOX, OLDFIELD & Co.

MR. CHARLES TOWNSEND, A.S.A.A., has commenced the practice of his profession at 8 Parkinson's Chambers, Market Street, Bradford.

The Duties of Trustees.

A STRIKING instance of the hardship that may arise to trustees in the course of the honest exercise of their duties, and also of the limitation upon the relief which can be given under the Judicial Trustees Act, 1896, is afforded by the decision of Kekewich, J., in *Davis v. Hutchings* (1907, 1 Ch. 356). One of the beneficiaries under a will charged his share to secure £350. No notice of the charge was given to the trustees of the will. Subsequently, by an assignment which recited the charge, he assigned his share absolutely, subject to the charge, to the trustees' solicitor. On the trust funds becoming distributable, the trustees naturally looked to their solicitor to advise them how this was to be done, and he stated that the share in question was payable to himself. They did not call for the assignment or make further inquiry, but paid him the share. Subsequently the transferee of the charge claimed from the trustees payment of what was due under it. Kekewich, J., held that it was the duty of the trustees, upon being informed that the share was payable to an assignee, to investigate the assignee's title. In the present case such investigation would have shown the existence of the charge, and hence they could not shelter themselves on the plea of want of notice. It is well known that express notice to the trustees is not necessary to complete the title of an incumbrancer upon trust funds, though by omitting to give notice the incumbrancer is exposed to the risk of someone obtaining priority. The fact that the trustees failed to obtain

notice was due to the fraud of their own agent, and for that Kekewich, J., held that they must suffer. He held also that this was a bar to their obtaining relief under Section 3 of the Judicial Trustees Act, 1896. For that purpose they had to prove that they had "acted honestly and reasonably, and ought fairly to be excused for the breach of trust." The learned Judge recognised that they had acted honestly and reasonably. But he declined to allow them protection under the concluding words, and considered that the ground of the earlier part of his judgment precluded them from relief under this head. The loss was due to their own agent and they could not transfer it from themselves to the incumbrancer. This is, perhaps, inevitable, but it places trustees in a very hard position.

(*Solicitors' Journal.*)

Meeting for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS.— Examination Committee, at 2 p.m.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday April 26th was 168, viz.:— New Bankruptcy Proceedings published in the *London Gazette*, 79; Deeds of Arrangement registered, 89. The respective numbers in the corresponding week of last year were: Bankruptcies, 90; Deeds of Arrangement, 57—total, 147; being an increase of 21. The total number of commercial failures recorded during the 17 weeks of the present year is 2,620; the total number recorded in the corresponding 17 weeks of last year was 2,830, showing a decrease of 210.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday April 26th, was 136. The number in the corresponding week of last year was 139, showing a decrease of 3. The total number filed during the 17 weeks of the present year is 2,583; the total number filed in the corresponding 17 weeks of last year was 2,601, showing a decrease of 18.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday April 26th amounted to £941,816, by way of addition to £1,074,672, previously issued by the same companies. The amount registered in the corresponding week of last year was £3,515,981, showing a decrease of £2,574,165. The total amount registered during the 17 weeks of the present year is £28,943,711 (in addition to the issues in previous years by the same companies), as compared with £28,452,533 for the corresponding 17 weeks in 1906, showing an increase of £491,178.

The Profession in Scotland.

Chartered Accountants of Scotland General Examining Board.

Mr. Richard Brown, C.A., 23 St. Andrew Square, Edinburgh, the Secretary and Treasurer of the General Examining Board of the Chartered Accountants of Scotland, intimates that the next series of examinations will be conducted at Edinburgh, Glasgow, Aberdeen, and such other places as may be found necessary on the following dates:—

Preliminary Examinations: Saturday 1st June.

Intermediate Examinations: Tuesday 4th and Thursday 6th June.

Final Examination: Monday 3rd, Tuesday 4th, Thursday 6th, and Friday 7th June.

Intending candidates are required to give in their full names and addresses, and make payment of the requisite Examination Fees, to the Secretary of the Society with which they are connected, or to Mr. Brown, not later than 15th May.

Scottish Insolvencies.

For the week ending 27th April the number of insolvencies reported in Scotland was 30, as compared with 33 in the corresponding week of last year. The trust deeds numbered 13, as compared with 20; the sequestrations 7, as compared with 4; and the petitions for cessio 10, as compared with 9. The total number of insolvencies for the seventeen weeks of the year is 483, as compared with 456 in the corresponding period of last year—the trust deeds numbering 233 against 215, the sequestrations 90 against 110, and the petitions for cessio 160 against 131. Of the 13 trust deeds reported during the week, 9 were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 56 for the seventeen weeks.

THE ROYAL INSURANCE COMPANY, of 1 North John Street, Liverpool, has just published a neat little booklet containing records of various sports and games. It is stated that the information has, almost without exception, been obtained from official sources, and the publication seems to be the most complete and the most clearly arranged record of sports we have seen. A copy will be forwarded gratis to any reader who cares to apply to the company.

A justice of the peace in one of the inland counties of the State of Ohio, says the *Central Law Journal*, was a farmer and an original character. John H. King and Henry C. Dickinson, both now deceased, were trying a case before him. When the attorneys arrived at his farm the justice came in from the cornfield, where he had been hoeing corn, bareheaded and barefooted. He listened to the evidence, and when the attorneys were about to argue the case, the justice said: "Gentlemen, you may now proceed to argue this case, and I will go out now and finish my hoeing corn, and when you get through with the argument you will find my decision in the drawer of my desk," and walked out, leaving the attorneys to argue the case between themselves.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1907	4%

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The Accountant.

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Leading Articles.

The Annual Meeting of the Institute.—II.

THE proceedings of the 26th Annual Meeting of the Institute (a full report of which appeared in our last issue) were not marked by anything of an exceptional nature in the way of debate, but were, nevertheless, upon the whole of very general interest.

The address of the President, Mr. W. B. PEAT, F.C.A., covered a somewhat broader scope than has been general in the past, dealing not merely with those matters of immediate interest to the Institute, but also with those larger questions which may be said to be of indirect interest, upon the principle (concisely stated by the President), that the greatest of our interests is the prosperity of the nation and the Empire. It speaks volumes for Mr. PEAT's tact and discernment that he was able to touch upon these larger problems without

for one moment encroaching upon political or debatable matter.

Confining our comments to the more important matters of immediate concern to the profession at large, we may summarise the President's address as being chiefly marked for its advocacy of Colonial Expansion and of Registration for the Profession. Upon the subject of colonial expansion there has hitherto been no settled policy, beyond the somewhat parochial policy laid down in Section 28 of the Charter. Matters have, of course, progressed, and progressed very markedly, since 1880, and there will probably be few now who disagree with the view put forward by Mr. PEAT, that the members of the Institute should hold the same relationship to colonial industry as the members in this country hold with regard to the commerce of this country, and that this is best to be attained by the establishment of members in those countries, with the opportunity to take articled clerks with facilities for examination locally, if this can be conceded. It is undoubtedly an enormous step forward if the Council collectively have come to the conclusion that the limitations of Section 28 are restrictive of legitimate colonial expansion, and require amendment. So long as our Colonies continue to look for a steady influx of new blood from the mother-country for the development of their natural resources, so long at least is it desirable that every facility should be granted to the qualified members of all learned professions to settle in the various Colonies and dependencies of the British Crown, and to there practise those professions which their training at home has qualified them to pursue. And upon the principle that it is the settler, rather than the mere sojourner, that will do most for the country of his adoption it is desirable that arrangements should, if possible, be conceded which will enable the Chartered Accountant to practise in the Colonies without cutting himself adrift altogether from his professional organisations at home. If we remember rightly, it was upon the occasion of the Diamond Jubilee commemoration that this point was first raised by Mr. J. H. FLACK, F.C.A., of Melbourne. At the time we intimated our unconditional adherence to the principles involved, and it is extremely satisfactory to observe that the President, and presumably many other members of the Council, are now identifying themselves with the movement. For it to be carried out in any effective manner it will, of course, be necessary, as Mr. MAURICE JENKS, F.C.A., pointed out, that power should be taken to extend the provisions of the existing Charter. That, however, should not prove an insuperable difficulty, more especially when it is borne in mind that the English Institute is practically the only organisation of accountants that does not go out of its way to encourage colonial membership by every possible means.

The second important subject touched upon by the President in the course of his address was the question of legislation for the organisation of the profession, which the Council undertook last year to take into its serious consideration. It is of interest to observe that of recent years the provinces, which were at first very frankly opposed to any such levelling down, as they described it, appear now to be coming into line with what we believe to be the representative opinion in the metropolis—that the exclusive policy of the past twenty-seven years has been a mistaken one, and that it is desirable that the task of co-operation with the other bodies, so long as they provide reasonable standards of qualification, should

be seriously admitted. That there are difficulties in the way of combining upon a joint course of action that will commend itself equally to members of all the various Societies may well be conceded; and, as we have from time to time pointed out, it is in the nature of things that Chartered Accountants should lose something by any such scheme, whereas members of outside bodies will proportionately gain. Those, however, who are sufficiently firmly established to occupy the foremost positions may well take comfort in the fact that under any conceivable scheme of reorganisation their personal standing would of necessity remain unaffected. Those of less assured position may, we think, fairly be asked to bear in mind that, inasmuch as their connection with the profession will be of longer duration, their adherence to the policy of uniform registration may well be asked for, for it can be pointed out to them that in the long run it will undoubtedly operate for their benefit. The fact that possibly others might benefit to a greater extent may, we think, well be left out of account, as being altogether unworthy of consideration. As Mr. PEAT pointed out, in course of years the inefficient will die out, and the register will in time only contain the names of those who have proved their claims to public confidence. The enhanced position of these will, we are convinced, prove more than an ample compensation for any temporary imagined disadvantage; and we hope, therefore, that inasmuch as it would now appear to be the fact that the majority of Chartered Accountants are willing to consider the project upon its merits, the practical difficulties in the way of carrying a definite scheme to its legitimate conclusion will not be found to be insuperable.

In the course of the discussion which followed the President's motion for the adoption of the report and accounts of the Council Mr. CHAS. COMINS, F.C.A., drew attention to the omission in the Council's report of any reference to the Committee now sitting to consider the system on which the accounts of municipal and other local authorities should be kept, of which Mr. JOHN GANE, F.C.A. (President of the Institute for 1905-6), is a member. Mr. COMINS made the mistake, however, of supposing that this Committee had to deal with the audit of local authorities' accounts, and this, of course, was pointed out to him by Mr. GANE. In a sense it might perhaps be regarded as satisfactory to have his assurance that when the Committee's Report is issued there will be found no mention of audit, either by officials or by professional accountants. But it is somewhat of an open secret that the Local Government Board has made up its mind to press for a uniform official audit; and, that being so, one can well understand the anxiety of Mr. COMINS that some collective utterance with regard to the subject should be made upon such an occasion as the Annual Meeting of the Institute. It is, perhaps, hopeless to expect any Government Department to commit political suicide, but, all the same, we cannot help thinking that it will be a little too late to raise an effective protest if the profession waits until after an official announcement has been made of the Government's intentions in the matter.

In the course of a speech which, if we may be allowed to say so, was markedly more conciliatory in tone than some of his previous utterances, Mr. W. R. HAMILTON, F.C.A., referred again to the subject of local representation upon the Council, but was met by a reply

from the President that members of the Council could not regard themselves as representing particular geographical areas, but rather the whole body of the members. The Council has of late shown itself so much more in touch with the general body of members than was at one time the case that the possibilities seem greatly against the majority caring very much what the precise machinery of election may be; realising, as they do, that as the members of the Council must of necessity work all together, if they are to accomplish any useful purpose, there are many practical advantages in favour of the Council being virtually a co-elected body, however indefensible the principle may be in theory. For these reasons it seems probable that no one will very greatly regret the circumstance that the resolution of which notice had been given by Mr. A. J. WINDUS, A.C.A., was ruled out of order, and accordingly withdrawn.

We always look to Mr. HAMILTON for some original suggestion, and accordingly we feel in no way surprised that his proposal to meet the admitted evil with regard to Associates who do not complete their membership should be to abolish the distinction between Fellowship and Associateship, and to place all members upon a footing as members. Apart altogether from the point made by the President, that it would be undesirable to abolish the ready means of distinction that at present exists between English and Scottish Chartered Accountants, we may further ask what would be the financial effect of Mr. HAMILTON's proposition. At the present time the certificate fees of Fellows produce upwards of one thousand pounds per annum more than would be produced if those same members only paid subscriptions as Associates, while during the past year the entrance fees of Fellows amounted to nearly £400. It would hardly be possible, upon the abolition of grades of membership, to increase the charges at present levied upon Associates, and the introduction of Mr. HAMILTON's scheme would thus involve a loss in round figures of fifteen hundred pounds per annum, or approximately half of the annual savings of the Institute. It may well be asked whether any compensating advantage would be gained in exchange for this direct loss. If there should be any feeling of soreness on the part of Associates at the distinctions between members, it may be pointed out that a distinction between those who have been five years in practice and those who have not is not altogether an unreasonable distinction, and that if certain members who have been in practice for more than five years think so little of the distinction as to regard it as being not worth the payment of an additional two guineas per annum, it is clear that they rate their grievances at a very low monetary figure.

There is, we think, a good deal more to be said with regard to Mr. HAMILTON's suggestion as to the more prompt announcement of examination results. At the present time examination fees produce a clear profit of approximately nine hundred pounds per annum —that is to say, examiners' fees might be nearly doubled, and yet the Institute would make no loss over its examinations. On the other hand, it is clear that if examination fees were doubled, it would be entirely reasonable to expect that the publication of the results might be greatly expedited, much to the advantage of examinees. The objection to the present practice is not the merely sentimental one of keeping candidates in suspense for a considerable period, but rather that by the time the results become known, and unsuc-

cessful candidates realise that they will have to make a second attempt, they find that all the existing classes for the preparation of candidates are in full swing, and thus they enter upon their second period of preparation at a manifest disadvantage. As the fees charged are more than ample to enable such a state of affairs to be avoided, it is, we agree with Mr. HAMILTON, eminently reasonable that a serious attempt should be made in that direction. Surely nothing would be easier than to divide the existing papers, or some of them, into two sections, making a different examiner responsible for each section, thus halving the amount of time that he might reasonably ask for to enable him to efficiently mark the papers forwarded for his inspection.

The meeting closed with the usual vote of thanks to the President, whose conduct while in the chair has earned him the warmest commendation in every quarter. On the previous evening the members of the Council and a number of friends had been entertained by Mr. PEAT at a private dinner given at the Hall of the Institute, which of recent years has become an annual, if an unacknowledged, feature. The toast of "The Houses of Parliament" was proposed by Lord CLAUD HAMILTON, and responded to by the Right Hon. Lord JOICEY and Sir CHRISTOPHER FURNESS, M.P. Sir HUGH BELL, Bart., proposed the toast of "The Institute," which was, of course, responded to by the President. Mr. EDWIN WATERHOUSE, F.C.A., proposed the toast of "The Legal Profession," to which Mr. H. ATTLEE responded; while Lord ARMSTRONG and Sir WM. PORTAL, Bart., replied for "The Guests," which had been proposed by Mr. JOHN B. BALL, F.C.A., the Vice-President of the Institute. The entertainment was, as might have been expected, an unqualified success, and reflected the highest credit upon those responsible for its organisation.

Accountancy and the American Government.

AN interesting sidelight is thrown upon the controversy raised by Mr. SELLS, C.P.A., which we refer to in another column, as to the respective merits of British and American accountancy, by the announcement that has just reached us that the Commission authorised by the United States Congress to examine the business methods of the Post Office Department has decided to engage the services of Messrs. JONES, CÆSAR, DICKINSON, WILMOT & Co., C.P.A., and of Messrs. DELOITTE, PLENDER, GRIFFITHS & Co., Chartered Accountants, both of New York, to make an expert examination into the methods of accounting and expenditure in vogue in the Post Office Department and Postal Service. The accountants have, we understand, been requested to recommend such improvements in the accounting methods of the Department as on investigation they may find to be practicable.

It is not proposed to have a detailed audit of all the accounts of the Department, for that would necessarily involve considerable delay and great expense. What is proposed is an investigation by expert accountants into the methods employed, and the sufficiency and accuracy thereof for the purpose of collecting and guarding the revenues. In view of the fact that the present system was established in 1835 it seems not unlikely that the accountants employed will find it possible to recommend several important new departures, for, apart

from the fact that there have been great changes in the remarkable growth of the postal business during the past seventy years, it cannot be overlooked that the science of accounting as now understood was then in its infancy. There thus appears to be good ground for the belief, somewhat confidently expressed by the Commission, that the investigation will disclose that great economies can be effected by the application of modern methods of business administration. It is said that the Commission is assured of the cordial co-operation of the President and the Postmaster-General in the performance of its duties. Should that be so, the success of its inquiries is already practically assured; while *per contra*, were the Department opposed to reform, it is doubtful whether even two such firms as Messrs. JONES, CÆSAR, DICKINSON, WILMOT & CO., and Messrs. DELOITTE, PLENDER, GRIFFITHS & CO. would be able to carry their services further than the stage of destructive criticism.

English v. American Accountancy Practice.

IN another column of the present issue we reproduce an article which appeared in the *New York Journal of Accountancy* contrasting the methods of the American and of the English professional accountant, in a manner by no means favourable to the last-named.

It might perhaps be not altogether inappropriate to inquire whether there is any connection between the statement made by Mr. SELLS at his inaugural address, which formed the subject of our contemporary's article, and the criticisms—as it seems to us, entirely unjustified by the facts—of the late auditors of BARNUM & BAILEY (Messrs. EDWARD MOORE & SONS, Chartered Accountants), by the present directors of that company, and the newly-appointed auditors, Messrs. HASKINS & SELLS, of New York. Whether or not Mr. SELLS is generalising about English accountancy practice upon an isolated case, it is, we think, much to be regretted that such a discussion as this should ever have been raised, for hitherto the relations between British and American accountants have been of a very cordial description, and it seems to us unlikely that any good, even to the latter, can arise out of the present controversy. Were it really the fact that British methods were old-fashioned and inadequate, and that American methods were in every respect up to date and efficient, it would be quite unnecessary for an American accountant to labour the point, in that he would surely be preaching to the converted. If it be not a fact, then equally surely the American business man is not likely to be hoodwinked by a mere assertion that is incapable of verification, no matter how confidently it may be put forward.

One has only to read the article in order to be convinced that the writer has not taken the trouble to familiarise himself with modern British methods, or he would never have asserted that, in Great Britain, in a commercial business it is common to find that an invoice is written, transcribed to a Sales Record, summarised (if not copied in full) in the Journal, and posted from it to the Ledger. In the great majority of up-to-date businesses manifolds are used, altogether dispensing with the Day Book, which, we presume, corresponds with the writer's Sales Record; while it may be added that it is probably at least fifty years since Sales were copied in full in the Journal of any commercial business. If the Journal is used at all at the

present day it is to record some three or four transactions per month in total, to enable a better check to be kept upon the accuracy of the Trade Ledgers by the independent building up of Adjustment Accounts in a Nominal or General Ledger.

Even more laughable, however, is the suggestion that the American method of pasting invoices into a Guard Book is preferable to the British method of dealing with Purchases. Guard Books were probably in very general use in this country one hundred years ago. They were frequently met with perhaps as recently as twenty-five years ago, but are now practically obsolete, on account of the extreme difficulty that they offer to speedy reference, and to the objections that are now entertained to permanently recording original entries in bound books. If our contemporary cannot think of a better means of instancing the superiority and modernity of American accounting systems than the old-fashioned Guard Book, we really think that it would have been well advised to allow the case to go against it by default. For our own part, however, we should hesitate to assert that American accountants of experience regard this as a suitable method of dealing with Purchases in an ordinary commercial business.

We prefer not to carry the comparison further, and thus refrain from criticising our contemporary's assertions as to the alleged superiority of the American accountant's audit. We may mention, however, that—at all events up to the present—that superiority does not appear to be so far admitted by American business men as to prevent them from giving a very large proportion of their accountancy work to British firms having branches in the States. We may also mention that, although a number of technical works, of varying merit, have been published in the States during recent years, nothing of exceptional noteworthiness has yet been produced, and even American practitioners appear to still regard the British text-books as the standard ones. We refrain from carrying the comparison further because, as we have already stated, we think it to be regretted that the question should ever have been raised in its existing form, and we feel sure that that regret will be shared by a majority of the Certified Public Accountants in the States.

Butchers' Gross Profits.

As we intimated in a foot-note which we added to the letter signed "Genuine" (which appeared in our Correspondence column last week), we propose to take the present opportunity of dealing at greater length with the query put by "X. Y." (in a letter appearing in our issue of the 27th ult.) as to "what is considered to be a reasonable gross "profit per cent. for a provincial retail butcher "(English)."

It may be remembered that we stated that such a butcher's gross profit would vary greatly from time to time, but that probably 20 per cent. would be a fair average. Our correspondent "Genuine," however, somewhat misreads our answer, and then proceeds to contest it. He misreads it by suggesting that we had stated that at the present time a provincial retail butcher selling nothing but English meat might expect to make an average profit of 20 per cent. on his sales, and goes on to state that in his opinion so high a percentage would not be likely to be earned. We may point out that, in the first place, the query put

by our correspondent "X. Y." was not with regard to a butcher dealing solely with English meat, but to an English butcher, which is an entirely different thing. We have yet to hear of the butcher who professes to sell nothing but English meat, for undoubtedly Scotch beef is represented to be among the best obtainable, and is sold, when they can get it, by those who would profess never to deal with chilled carcasses. Similarly, of course, there is a considerable demand, generally exceeding the supply, for Welsh mutton. We understood the query of our correspondent "X. Y." as relating to a butcher carrying on an ordinary retail business in England, and that, we submit, is the reasonable construction of the words he employed. We may add, moreover, that our experience tends to make us somewhat sceptical as to whether there are in this country any considerable number of butchers who do not deal, to some extent, at least, in imported meat. But, however that may be, in normal times the rate of profit earned upon British and foreign supplies does not appear to be very markedly different, and, as we have already stated, it varies greatly from time to time. At the present time profits appear to be lower generally than they have been for some years past, although during the last few months there are signs of an upward tendency. We have known the gross profits in the same business vary between about 13 per cent. and 23 per cent. over a period of less than ten years without presumably there being any cause for the variation other than market conditions.

It is going, perhaps, a little outside the ordinary limits of accounting, and trespassing rather upon those of practical business management, but, as the question has been raised, we may point out that those butchers who succeed in securing the largest percentage of gross profit are generally those whose trade is such that they are able to dispose of practically all parts of a carcass with equal facility. They are thus able to buy whole carcasses at a rate considerably lower than those who can only dispose of—and thus can only buy—either the prime cuts or the poor cuts. It therefore follows that a butcher who, either at one shop or at several shops in different neighbourhoods, can dispose of whole carcasses, can make a larger gross profit than one whose customers belong almost entirely to the better or to the poorer classes. Of course, it is needless to remark that if a butcher were to purchase chilled meat and dispose of it at the best "home-grown" prices, he could always secure a larger rate of gross profit than the normal; but, whatever may be popularly supposed, we think that such cases are rare, and, in the nature of things, could not be long continued. The retailer who deals in chilled meat for the most part deals in it as such, and charges a correspondingly lower price, which yields him approximately the same rate of gross profit as the home-raised article.

The Outlook for the Accountant in India.

THE accountant in India does not exist to-day, in the commercial or professional sense that the accountant in England does; in India he has to make his *début*.

The vast Indian Empire, nearly fifteen times larger than Great Britain, and with a population of some 300,000,000, has been contented in the past with "jogging along" in its commercial systems. But these lackadaisical methods will soon be ancient history, and business affairs, both State and civil, will have to be dissected, accounted, and audited according to strict scientific accountancy principles.

The backbone of India is its agriculture, and in this branch alone is a good field for the professional accountant, if the cultivator could be made to understand the

benefits to be derived from accurate accounts. India has a surveyed area of 555,974,330 acres, and of these 68,560,296 are under forest, 185,451,814 under food grains, 6,776,719 under food crops, 13,017,092 under cotton, 1,000,000 under tobacco, and so on, all of which have to "pay their way." Compare these huge areas with that of Great Britain and Ireland, which total 77,681,644 acres only, and the agricultural possibilities of India may be formed.

Another branch comprises the Indian railway system, which shows a capital outlay of £260,356,500, with gross earnings £27,262,200, working expenses £13,293,000, and net earnings £13,324,500, showing a net earning on capital outlay of 5·27 per cent. The passengers carried yearly exceed 248,000,000 persons, and the weight of goods carried 54,936,000 tons. In order to cope with the rapid expansion of commerce some £10,000,000 will be expended annually during the next few years, in extending the railway system and in purchasing new rolling-stock. In addition to being railway companies, several are interested in manufacturing enterprises, as collieries, brick-fields, chemical works, saw mills, pipe works, &c. The railway system at the moment is controlled by the Government, but it seems quite probable that Indian State finance and Indian railway finance may shortly be separated, and the railways worked as commercial undertakings and separated from the affairs of State. It is here that the professional accountant will have a future, as India follows England in customs and systems. The country reeks with official designations, and the modest "office boy" in London, if transferred to India, might soon annex the title of "secretary" to some junior clerk! Some of the railway companies illustrate the bump of officialism well. Thus, one company possesses, in the following order of precedence:—chief auditor, deputy chief auditor, auditor, assistant auditor, sub-assistant auditor, senior assistant auditor, junior assistant auditor, accountant, bookkeepers, verifiers, inspector of accounts, cashier, paymaster, &c. Another railway company has:—chief accountant, accountant, auditor, bookkeeper, cashier, assistant cashier, paymaster, &c. These may seem high-sounding titles, and many of the posts are held by natives at a small salary, so what is lost in wage is made up in official designation! A good all-round London bookkeeper, plunged into the midst of a coterie of accountancy experts as some of these, would probably not be long in causing a "brain storm" among those possessing an "exaggerated ego"! Yet this is the sort of metal the future professional accountant in India will have to mould into shape. And it is safe to predict there will be more talk than work among these native financiers in embryo. A principal railway company would probably pay a monthly salary of Rs. 1,600 to the auditor, Rs. 830 to the deputy auditor, Rs. 730 to assistant auditor, Rs. 130 to Rs. 370 to accountants, Rs. 175 to bookkeepers, and so on. Small railways would pay smaller salaries. A new era is about to commence in railway affairs in India, and the commercial spirit in the future will predominate.

The army in India has a large turnover, the military expenditure for the last five years having totalled £21,000,000 annually; whilst the yearly revenue of the Indian Government exceeds £75,000,000, and is derived from land, opium, salt, stamps, excise, post office, telegraphs, mints, irrigation, railway receipts, &c. &c. When it is known that India is yet in its industrial and commercial infancy, and is rapidly adopting British accountancy systems, the future of the accountant in India will be a profession of worth.

The municipalities and district and local boards are already numerous, although some are small to-day. The municipalities number 746, with a population of 16,662,696, an annual income of £6,200,829, and expenditure of £6,119,456. The income of a municipality is from octroi, taxes on houses, lands, animals, vehicles, cycles, professions and trades, tolls on roads and ferries; also water, lighting, and conservancy rates; loans from Government and from private individuals; fines; receipts from markets, slaughter-houses, &c. Whilst the expenditure is for general administration, lighting, police, fire, water supply, drainage, conservancy, hospitals, dispensaries, plague charges, markets, slaughter-houses, arboriculture, public gardens, roads, buildings, public instruction, &c. &c. At a principal municipality the monthly salary of a chief accountant might be from Rs. 1,000 to Rs. 1,200, and the deputy-accountant Rs. 600, whilst a small municipality might pay its accountant from Rs. 100 upwards, monthly. The district and local boards number 1,087, with a total yearly income of £2,502,350, all of which is usually expended.

General commercial life plays a very prominent part in the welfare of the country, and it is here that the future professional accountant will obtain a large *clientèle*. Owing to the easy-going systems in vogue, any native who can add up a few figures, correctly or incorrectly, has dubbed himself the firm's "accountant," the term "bookkeeper" being beneath him. The

general system of accountancy throughout India to-day, when viewed through British spectacles, is *bad*, as it lacks the strictly scientific principles adopted in England, and errors—wilful and otherwise—abound everywhere. A few firms' methods may be better than the majority, although errors may lurk even in those perfected systems. There are so many agencies at work in a trading concern to be accounted for—the variable rates of exchange on England and *vice versâ*; the variable Bank Rates; the variable weights and measures for the same commodities in different parts of the country; the various export and import duties; the liability to error in converting English prices of goods purchased into Indian currency for selling, checking marine insurance, sea freights, railway charges; the various rates of profit on goods sold; the several systems of trading credit, discounts, rebates, &c.; the various and variable rates of exchange with Continental, Colonial, or foreign countries (bought from or shipped to), and so on. These are a few of the practical thorns with which Indian commerce bristles, and no wonder a native bookkeeper who dabbles with intricacies such as these is vain enough to call himself an accountant! Yet he is usually scientifically incorrect in most of his methods, but his skill is the best obtainable, and so the trader jogs along. An English accountant, thoroughly proficient, would soon forge ahead, if he proclaimed his merits. "This is as *near* as I can get to it," is a favourite expression in an accountant's department. It is hardly an exaggeration to say there may be scarcely a trading concern in India to-day that a qualified accountant could not save more than his salary in effecting prompt improvements in the system of accounts in use. The accountant (*i.e.*, bookkeeper) if he issues a Balance Sheet for the delectation of his principal, usually adds "*Certified correct*" to his own work and signs his name; if he wishes to be prudent he uses the stereotyped "*E. & O. E.*" (*i.e.*, errors and omissions excepted), and signs his name. Either the first or second method answers the purpose, and the firm goes along! The majority of firms in India have a great deal to learn yet, even in elementary bookkeeping.

In a general way the traders of India may be divided into four great classes. Firstly, the retail stores—as grocers, chemists, wine and spirit merchants, drapers, furnishers, &c. Secondly, manufacturing concerns—as, breweries; cotton, wool, jute, paper, silk, weaving, timber, rice, flour, and oil mills; tanneries; sugar, tile, railway, lac, iron and brass factories; petroleum refineries, gunpowder and cordite factories, arsenals, &c. &c. Thirdly, engineers, builders, and contractors' firms; and fourthly, general agency businesses that act for European, Colonial, and foreign manufacturers and Indian concerns. It will be gathered, a general miscellaneous commercial knowledge is required by a practising accountant. The system of credit in India is important, most retail stores allow a discount for prompt cash, at one month net, after which interest accrues at the rate of 12½ per cent. per annum on the unpaid account or balance. Some stores vary these rates. Nearly all retail shops accept their customers' money on deposit, and allow varying favourable rates of interest. Money is also lent to their customers on their promissory note at 12½ per cent. Some of these stores, in addition to their general retail business, collect Indian produce—as hides, birds' feathers, bristles, ivory, old metal, &c.—for shipment to Europe.

The banks in India are generally more commercially inclined than similar institutions in Europe, and many of them resemble glorified pawnbrokers, as they advance money on anything of value, produce or otherwise. A bank accountant's salary would vary according to the standing of the institution.

Scope for the accountant lies in the domain of joint-stock companies registered in India under Indian laws. It is becoming the fashion for firms to convert themselves into limited liability companies, and during the last ten years 1,500 companies have registered annually with a total aggregating £25,000,000. These have included banking and loan business; insurance; navigation; railways and tramways; trading concerns; tea gardens; coal and gold mining; quarrying; cotton, jute, wool, silk, hemp, and flour mills; land and building companies, &c. This is a new department of Indian finance, and is not organised at the moment in the efficient state, as in England. Reconstructions frequently take place, and what few qualified accountants there are in India have to delay matters considerably when the least pressure of work arises.

The export business of the country is growing at a rapid rate with England, Belgium, Germany, Austria-Hungary, Straits Settlements, United States, Mauritius, Java, China, France, Japan, Italy, Russia, &c.; and the accountant would do well to become familiar with the trade usages and the currencies of those countries, converted into the Indian currency, and *vice-versa*.

The lack of skilled accountancy is apparent in most business centres. Sometimes a Government department will explain that a loss was occasioned by reason

"of the want of a more elaborate system of accounts" in the office. Whilst an eminent firm of British merchant bankers have been officially denounced "for "keeping their accounts in a confused and muddled "condition. In mixing up agency moneys in the general "balance of the firm, and in the use of such money, as "well as customers' deposits, in their daily and ordinary "business transactions. And the curious method of "rendering Balance Sheets, and the adjustment of "accounts, seemed to suggest the firm traded for the "mere sake of keeping things going."

In the present complex conditions of modern Indian trading the merchant of old is often the mere commission agent of to-day. The gravest danger for all India is that the vast superstructure of credit, which represents the methods of financing modern business, may be shaken by a wave of terror caused by failures of old established firms, whose accountancy has been defective. The trade of India is excellent, and is yearly increasing by leaps and bounds, but the commercial organisation and accountancy lacks the skilled men found in Great Britain. From recent local directories the number of "accountants, auditors, and actuaries" practising in Calcutta is seven; in Bombay, thirteen; and in Madras, three.

This article is written in a general practical manner, and it should be noted the prosperity of India lies in the future and not in the past; and those who are wise will ponder these things.

(NOTE.—Roughly, the rupee in exchange can be taken at 1s. 4d., and the anna at a penny. Thus Rs. 15 equal £1 sterling. Twelve pies equal one anna, sixteen annas equal one rupee.)

Weekly Notes.

The Chartered Accountants' Benevolent Association. The 21st Annual General Meeting of the Chartered Accountants' Benevolent Association was held on the 1st inst., at the conclusion of the Annual Meeting of the Institute. The report of the Board of Governors and the accounts for the year ended the 31st March last were reproduced in our last issue. The accounts show an income of £1,032 16s. 5d., and an expenditure upon relief of £1,006 17s., leaving a surplus of £25 19s. 5d. to be carried forward, the current expenses, amounting to £34 18s. 1d., having been defrayed by Mr. Gérard van de Linde, and thus not falling against the income of the Association. The Capital Account was increased during the year under review by donations amounting to £2,363 10s. 6d., and now amounts to £13,217 12s. 4d. These donations included a munificent gift of £2,000 from Mr. W. B. Peat, F.C.A., to be known as the Edith Peat Gift, and separately invested, its income being applicable to the general purposes of the Association. The Special Fund Account for the relief of Chartered Accountants' clerks not members of the Institute, which had been almost exhausted, has been increased by donations during the past year to the extent of £222 4s., and now stands at £200 8s. 4d., after the expenditure of £56 10s. during the current year upon relief. Special trusts are the Hanson Fund Account, which has contributed £40 to its beneficiaries during the past year, and the Taylor Fund Account, which has similarly contributed £41 9s. 10d. The accumulated funds of the Association are now represented by investments costing £12,915 and a cash balance of £485 19s. 9d., but there is still an adverse balance on Income and Expenditure Account of £23 3s. 8d. We should like to mention that the membership of the Association is about 468, whereas the membership of the Institute is 3,585. It would thus appear that not one Chartered Accountant in seven is a member of the Association.

Companies and Income Tax. We must confess to having every sympathy with those who resent the continuance of the income-tax at its present extortionate rate of 1s. in the £, and who use every effort to secure a reduction of what is essentially a form of class taxation admittedly retained in its present form solely because the voting power of income-tax payers is a negligible quantity at Parliamentary elections, but those who attack it should at least do so with a view to securing an adjustment of taxation, so that it may fall more equitably upon the shoulders of the community generally, rather than in order to secure a relief for some at the expense of others. Of all the suggestions that we have recently heard, we know of none less entitled to consideration as an income-tax reform than that suggested by Mr. Fell, M.P., in a recent question addressed to the Chancellor of the Exchequer, when he inquired whether the latter would so arrange matters that in future companies should only be called upon to pay income-tax on the dividends they actually paid to their shareholders, and not upon an estimate of profits arbitrarily arrived at by the Commissioners, which profits were rarely available for distribution among the shareholders. It is obvious that limited companies, as such, are not entitled to have their income-tax assessed

upon a more favourable basis than individuals, and if they were only to be called upon to pay income-tax upon dividends paid, the position would be somewhat analogous to that of requiring individuals only to pay income-tax upon income spent. However desirable it may be to avoid excessive taxation of unspent income, upon the ground that it is against public policy to tax thrift, it must surely be obvious that the man earning more than he can spend, and similarly the company earning more than it divides, is in a better position to bear taxation than the majority.

The Double Income Tax. One of the most important points discussed at the recent Colonial, or rather Imperial, Conference, so far as accountancy subjects are concerned, is the penalising investment of British capital in the Colonies by reason of the double income-tax on the earnings derived therefrom, seeing that such capital is called upon to pay income-tax in the Colony and again in the mother-country. It is understood that the Premier of Cape Colony was among those who strongly urged the unfairness of the present system. The discussion that ensued was a long one, but so far as can be gathered no satisfactory result was reached. While such a condition of affairs continues, it does not seem very surprising that capitalists should prefer to invest their savings in foreign countries, where they are only liable to the payment of one tax, which can in all probability be evaded; and to this circumstance may, perhaps, in part, at least, be attributed the low price of Stock Exchange securities at the present time.

Deeds of Assignment and Dissenting Creditors. A somewhat unusual case came before his Honour Judge Rentoul, K.C., in the City of London Court last month, when a Mr. Giffard was summoned by a Mr. Israel to show cause why he should not be committed to prison for the non-payment of £55 due. It was stated that the defendant was the member of a City firm which had recently entered into a private arrangement with its creditors—who amounted in all to £105,000—for the payment of a composition of 15s. in the £, two instalments of which had been paid. The plaintiff, however, had not assented to the arrangement, and now sought to enforce payment of his claim. The learned Judge stated that the City of London Court was the business Court of the City, and not a guillotine machine to squeeze as much as possible out of business men like the defendant who had been unfortunate. No doubt the plaintiff was acting within his strict legal rights, but the Court wanted to take a reasonable view of the matter. In business every man must take his chance of making bad debts. The offer made to the defendant's creditors seemed a very fair one, and in the circumstances the order he would make would be one for the payment of £2 per month. Allowing a quite reasonable sum for costs, it would thus appear that the plaintiff will not recover his debt in less than two and a-half years. Quite conceivably, therefore, he will be no better off than he would have been had he accepted the offer of composition. The case is of especial interest, as showing that in the City Courts an eminently sensible view appears to be taken with regard to such arrangements between debtors and creditors.

Frauds at the Bankruptcy Court. On the 24th ult. one Hopkins, until recently a clerk on the personal staff of Mr. E. L. Hough, the Senior Official Receiver in Bankruptcy, pleaded guilty before the Recorder at the Central Criminal Court to stealing five cheques and forging the endorsement thereon, and was sentenced to eighteen months' imprisonment with hard labour. It appears that the cheques which Hopkins was charged with stealing, which amounted in the aggregate to £131, out of total defalcations stated at £360, were cheques drawn for the payment of dividends due to creditors in bankruptcies which had remained unclaimed sufficiently long to make it appear reasonably safe for the prisoner to steal them. Having forged the endorsement, he cashed the cheques, it is said, at a public house where he was known, and so far as we can gather from the evidence reported, his irregularities would not have been discovered but for the accidental circumstance that one bankrupt, having paid his creditors in full and applied for an annulment, made a more detailed investigation of the accounts than the ordinary scheme of audit provides for. If this be so, it would appear to suggest that the Board of Trade audit, like most official audits, combines a maximum amount of irritation to accounting parties with a minimum proportion of real efficiency. We may point out, however, in connection with the whole matter, that dividend cheques issued by the Board of Trade are invariably crossed "not negotiable," and that, therefore, any third party cashing them for one other than the true holder for value becomes liable to refund the amount to the drawer. The case, therefore, emphasises—if indeed any emphasis were needed—the advantage of all cheques being so crossed.

The Council of the Law Society. At the recent special meeting of the Law Society, at which Mr. G. H. Radford, M.P., had given notice of his intention to move a resolution to the effect that members retiring from the Council should not be eligible for re-election for a full twelve months, thus securing the infusion of a certain amount of new blood on the Council, the President stated that he was compelled to refuse to put the motion to the meeting, as being *ultrâ vires* the Charter of the Society. Mr. Radford mentioned, however, that he proposed to bring the matter up in another form at a later date, as he considered the present arrangement was inconsistent with popular representation, and had the effect of making the Council a practically permanent body.

The Budget. In the course of an interesting criticism on the Budget, in the current issue of *The Financial Review of Reviews*, the Hon. Michael H. Hicks-Beach says that the Chancellor of the Exchequer would have done better to have confined his differentiation proposals to the Death Duties, and so have avoided some of the difficulties necessarily attendant on a differentiation of income. It is said to be very inconsistent for the State, after encouraging saving by means of the Post Office and other savings banks, to penalise the income derived from such savings. Evasion of various kinds will, it is thought, follow the change, for the income-tax payer will either omit from his return of income the interest on his investments, or will so divide his "unearned portion of income" among his family as to bring his total personal income within the differentiation limit. The full effect of the changes is still being debated in the press, and Mr. F. Lodge Rosser thinks that the benefit conferred on the middle class is very problematical. He gives the following table in support of his views :—

Total Income.	Earned.	Unearned.	Tax. Old Scale.	Tax. New Scale.
£	£	£	£ s d	£ s d
300	100	200	7 0 0	7 0 0
320	160	160	8 0 0	8 0 0
450	150	300	15 0 0	15 0 0
470	70	400	16 0 0	16 0 0
570	70	500	22 10 0	22 10 0
600	300	300	24 0 0	21 15 0
600	100	500	24 0 0	24 0 0
670	70	600	30 0 0	30 0 0
700	400	300	31 10 0	27 7 6
700	300	400	31 10 0	28 2 6
1,500	500	1,000	75 0 0	68 15 0
2,000	1,000	1,000	100 0 0	87 10 0

Another press campaigner hastens to point out that Mr. Lodge Rosser's figures would more nearly mirror the facts relative to middle-class incomes if they were reversed in this wise :—

Total Income.	Apportioned as follows: Earned.	Apportioned as follows: Unearned.	Tax due: Old Scale.	Tax due: New Scale.	Mr. Lodge Rosser's figures. New Scale.
£	£	£	£ s d	£ s d	£ s d
500	200	100	7 0 0	6 10 0	7 0 0
320	160	160	8 0 0	8 0 0	8 0 0
450	300	150	15 0 0	13 2 6	15 0 0
470	400	70	16 0 0	12 17 6	16 0 0
570	500	70	22 10 0	17 15 0	22 10 0
600	300	300	24 0 0	21 15 0	21 15 0
600	500	100	24 0 0	19 5 0	24 0 0
670	600	70	30 0 0	23 7 6	30 0 0
700	*300	400	31 10 0	28 12 6	27 7 6
700	400	300	31 10 0	27 7 6	28 2 6
1,500	1,000	500	75 0 0	62 10 0	68 15 0
2,000	1,000	1,000	100 0 0	87 10 0	87 10 0

* These are Mr. Rosser's figures reversed.

Company Law Reform. In the House of Lords last week the Companies Bill was dealt with in Committee under the presidency of Lord Onslow. The following are some of the principal amendments :—

> The issue of shares was to be subject to the sanction of a special resolution of the company.

Nothing in Clause 10, which dealt with the power of a company to pay interest out of capital in certain cases, was to affect any company to which the Indian Railway Companies Act, 1894, as amended by any subsequent enactment, applied. A new sub-clause was added to the section dealing with registration of mortgages and charges, as follows :—

> Where a debenture containing or giving by reference to a deed containing a charge required to be registered under the section is renewed by extending the currency thereof beyond the date originally fixed, such renewal shall require to be registered under this section as if it were a fresh charge.

On Clause 20 an amendment by Lord Ridley to increase the fine to £5 in regard to a company refusing or not forwarding the register of debenture-holders was agreed to and added to the clause. Lord Avebury's amendment on Clause 21 to the effect that—

> One at least of the auditors in the case of every company whose authorised capital amounts to £50,000 shall be a professional accountant,

was agreed to subject to the words "one who publicly carries on business as an accountant" being substituted for the words "a professional accountant." It was also agreed that the Balance Sheet under this clause should be signed by two directors. The "21 days" was altered to "14 days" in the new sub-clause—

> "At least 21 days' notice, exclusive of the date by which proxies had to be lodged, must be given of all meetings of every company."

Another amendment made it clear that a person who,

without qualification, acted as director, was liable to a penalty of £5 for every day he acted as a director. With regard to the reorganisation of capital, Lord Balfour of Burleigh's amendment, as appended, was agreed to :—

> But provided always that no preference or special privilege attached to, or belonging to, any class of shares shall be interfered with except by a special resolution passed and confirmed by shareholders of that class independently of the presence of votes of any shareholders of any other class, and every resolution so passed shall be a valid special resolution binding all shareholders of such class.

Meanwhile suggestions for reform continue to be presented through the medium of the press. Mr. Robert Butcher suggests that it should be compulsory for the directors of companies to hold annual meetings and present audited accounts, the penalty for non-observance being a heavy fine. The absence of enforceable penalties might certainly be considered.

The Power of a Company. An adjourned summons in *Re Kingsbury Collieries, Lim.*, has given Mr. Justice Kekewich an opportunity of deciding an interesting question. A colliery company had purchased some land for the purpose of erecting buildings appertaining to its business thereon, but, finding that this course was inconvenient, the company sold the land. The question was whether this was *ultrâ vires* the company. Counsel contended that a statutory corporation had no inherent power of sale, but the Judge thought that, having regard to the authorities, it would be wrong to say that the company had not the power to sell. The objection to purchase was, therefore, disallowed.

Directors' Fees. In *Re Dover Coalfield Extension, Lim.*, where a certain limited company (A) purchased shares in another company (B), and transferred part of the securities to two of its directors, so that they might qualify as directors of the B Company, it was held that fees received by these directors were for services rendered, and were not received by reason of the qualifying shares; that the amount of the fees was a matter of bargain between the purchasing company and its directors, who acted as members of the other board, and that as regards the one director, against whom alone action had been brought, he was entitled to retain the fees as against the liquidator of A Company, since they were not profits derived from the shares so as to raise the question of fiduciary relationship.

An Arbitrator's Remuneration. The decision of the Court of Appeal in *S. Mason, Lim. v. Lovatt* lays it down that a taxing-master, when determining the remuneration to be paid to an arbitrator, should act on the evidence, if any, of persons in the same profession as the arbitrator with regard to the question as to what is a reasonable charge, and the taxing-master should not disregard that evidence and allow such sum as he may himself think reasonable.

Bankrupt Solicitors. Mr. Henry Attlee, in the course of his presidential speech at the recent special general meeting of the Law Society, pointed out that the Council had been obliged, under the Act which was passed last year, to refuse to renew the certificates of a larger number of solicitors than it was thought would have been found necessary. In every case where appeal had been made the Council's decision had been upheld, and he desired to warn solicitors to put their house in order, as the Council had determined that they would not grant certificates to gentlemen who were undischarged bankrupts. It cannot be said that the warning is untimely, for *The Financial News* points out that when the record of a practising solicitor was investigated a short time ago no fewer than twenty-two outstanding judgments were found against him!

A Question of Commission. The Irish case of *Brandon v. Hanna* involves an interesting point. A. employed B. to negotiate a sale of his business on the arrangement that if a purchaser was found he was to receive a commission, but if there was no sale then there was to be no charge. B. introduced C. as a possible purchaser. A. subsequently decided not to sell and withdrew the matter, paying B. a small sum for out-of-pocket expenses. A. changed his mind and consulted a friend, who recommended C. as a likely purchaser and communicated with him. C. ultimately purchased the business. B. claimed commission on the sale. The jury in the first instance found for B., but the majority of the King's Bench Division set aside this judgment in favour of A., on the ground that the acceptance of payment was cogent proof that the contract had been determined by mutual consent. This view has since been upheld by the Court of Appeal.

Deeds of Arrangement. It should be noted that the decision in *Re Saumarez; ex parte the Trustee*, already commented upon in these columns, has been upheld by the Court of Appeal.

Bequeathing a Crown. It has facetiously been said that a movement has been started with the object of making Mr. Roosevelt the President of the United States for life, giving him power to name his successor. The idea is not quite so absurd as it looks, for the same wag points out that an English Parliament once conferred the power to dispose of the Crown by will!

Codification Wanted. Mr. Blake Odgers, K.C., in the course of his Gresham Lectures on Law, is reported to have answered his self-imposed question as to what was the trouble with our law, by saying that the difficulty was to find a clear, accurate, authoritative statement of it. In his opinion a code was inevitable; it could be made at one-tenth the cost of an ironclad and would be a lasting benefit to the nation.

Compulsory Reserve Funds. In reply to a question put by Mr. Hyde in the House of Commons last week, as to whether he had any information with reference to the existence of compulsory Reserve Funds for limited liability companies in foreign countries, the President of the Board of Trade is reported to have said that information on the subject had been obtained from France, Germany, Italy, and Belgium. In France, Germany, and Belgium joint-stock companies were compelled to set aside 5 per cent. of their net profits for the formation of a reserve until that fund was equal to 10 per cent. of the company's capital. In Italy a similar proportion of net profits was required to be set aside until the Reserve Fund was equal to 20 per cent. of the company's capital. It is significant to note that in none of these countries were there any special rules governing the investment of moneys to represent the Reserve Funds.

A Suretyship Question. A point of interest to sureties arose in the recent case of *Hastings Corporation v. Letton and another*. As reported, it appears that the defendants were sureties for the payment of rent due under a lease for seven years granted by plaintiffs to a company, and subsequently assigned to another company the liability as sureties continuing as regards the second company. Both companies had been finally dissolved, and plaintiffs contended that the sureties were bound to pay the rent until the end of the lease. The defendants argued that the dissolution of the companies ended the lease, and as their engagement was only to pay during the term of the lease, they were not liable, especially as it could not be contended that the lease still subsisted as being theoretically vested in the Crown. The defence was upheld by a Divisional Court.

Companies and Political Contributions. *The Law Times* waxes satirical over the attitude of certain members of the House of Commons towards the private Bills promoted by companies whose directors, with a view to securing a reduction in the rates, had made some small contribution to the municipal Society. It is said that they exhibit a strange contrast to the attitude of the House towards the Trades Disputes Act in its passage through the House as a Bill. The righteous horror evoked by a limited company indirectly influencing a municipal election in the interest of its shareholders is difficult to reconcile with the unlimited powers given to societies such as trade unions, which not only take an active part in politics, but levy a contribution on their members for the purposes of returning members to and maintaining members in Parliament: *Steele v. South Wales Miners' Federation* (95 L.T. Rep. 260; 1907, 1 K.B. 361).

Limited Partnerships Bill. In the House of Commons last week the second reading of the Limited Partnerships Bill was agreed to without a division. Sir Andrew Torrance considered the Bill embodied a very dangerous principle, inasmuch as it would lead to money being lent for short periods to suit the convenience of the lender; and Sir Alexander Acland Hood submitted that a measure of this nature, which affected so deeply the business life of the country, ought not to be discussed in the absence of all representatives of the Board of Trade.

Negotiable Instruments. The legal notes in *The Financial Times* remark that the practice of obliging a friend by signing a blank stamped piece of paper in order that it may be converted into a negotiable instrument, and money raised thereon by and for the benefit of the friend is absurdly common. A recent case, how-

ever, *Lloyd's Bank, Lim. v. Cooke and others*, indicates that a person who adopts this foolish practice cannot afterwards deny that he was given authority to fill up the blank for any amount which the stamp will cover, and that the person appearing as payee is just as much entitled to enforce payment of the full amount, provided always, of course, that all is done in good faith, as a person to whom the instrument may have been subsequently negotiated.

Signatory Shareholders. The Dummy has risen in his wrath! In other words, some of the signatories of the memorandum of association of a limited company are reported to have claimed to be recognised by the liquidator as shareholders. It is said that the promoter is bringing an action with a view to dismissing the claim on the ground that they were merely trustees acting on his behalf, and were never *bonâ fide* shareholders. If reports are true the legal battle is to be a tough one, and perhaps some curious consequences may arise out of what is a common practice in company registration. The office boy and typist signatories will no doubt await the decision with great and abiding interest. On the other hand it seems unfortunately only too true that there are many persons who would be extremely pleased if certain liquidators would *not* recognise them as shareholders! *Non cuivis homini contingit adire Corinthum.*

Tube Capital Expenditure. The following interesting table from *The Financial Times* shows the capital expenditure of the Tube Railway group, together with the mileage constructed. The average capital cost works out at over £620,000 a mile:—

Company	Total Capital Expended 31st Dec. 1906	Mileage Constructed
	£	
Baker Street and Waterloo	2,906,000	5·20
Central London	3,904,000	6·35
Charing Cross, Euston, & Hampstead	4,992,000	*8·18
City and South London	3,016,000	6·71
Gt. Northern and City	2,304,000	3·41
Gt. Northern, Piccadilly, & Brompton	6,582,000	*7·72
Total	£23,704,000	38·17

* Partly constructed only.

"Watered" Stock. It is said that among the schemes for the amendment of the law which are to be submitted to the Legislature by the President of the United States is one to prevent the "watering" of railway stock. The increase of nominal capital without a corresponding increase of actual capital is, says *The Solicitors' Journal*, not unknown in England, but the practice is much more common in the United States. Borrowing powers, in Great Britain and the Continent, have been conferred on railway companies, but only to a limited extent, whereas in America the general laws exercise but little limitation, so that in some cases the construction of a railway was effected by the proceeds of loans, the share capital being issued solely for the profit of the contractor. In other cases "dividends" (as understood in America) have been paid by the issue of scrip, and so many abuses have crept into existence that the change, when it does come, will probably need to be on the drastic side.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

COMPANY LAW.

Curtis, Gardner & Co., Lim. v. A. Clearet & Co., Lim. Lawrence, J.

Held, that where the regulations of a company provide that cheques may be signed by one director and the secretary, a bill of exchange drawn against the company may be accepted on behalf of the company in the same way.—(*Times*, May 6.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Accountants practising Abroad.

(To the Editor of The Accountant.)

SIR,—I am sorry you do not understand my query, under the *nom de plume* of "Curious," in reference to the above matter. I was trusting I had made my query as plain as the subject would admit. However, I have much pleasure in trying to expedite matters. As

an instance of what I mean, supposing a member of the Institute of Chartered Accountants in Ontario—who would in Canada be recognised as a Chartered Accountant—came to England, would he be allowed to practise as a Chartered Accountant? Would the English Institute raise any objection? I know members of the English Institute practise in Canada. Trusting I have made myself plain,

Yours truly,

6th May 1907. CURIOUS.

[Of course we cannot say what action the Institute might take but Canadian Chartered Accountants might argue that they have as much right to practise here under that title, as Scottish Chartered Accountants.—ED. *Acct.*]

The Budget of 1907-8.

(*To the Editor of The Accountant.*)

SIR,—It occurs to the writer that but very few persons fully understand the far-reaching change in income-tax law which will be effected by the abolition of Section 133 of the Income Tax Act of 1842. This section comes to the relief of distressed taxpayers—*i.e.*, of persons who have been assessed in accordance with the average system upon a sum out of all proportion to the profit actually made, and the relief which is afforded to such taxpayers comes at the most welcome time, namely, when they are doing exceedingly badly. Mr. Asquith's suggested change in the income-tax law will take away from all those who are suffering acutely from professional or commercial competition the possibility of a refund, which heretofore has lightened considerably the taxpayers' load.

An example will show how the 133rd Section helps taxpayers. In successive years a taxpayer's profits have been as follows:—£10,000, £5,000, £3,000, and £1,000. Now, when our taxpayer is making but £1,000 he is assessed on the average of the three preceding years—that is to say, on £6,000. Surely an anomaly of anomalies, since he has been assessed and has paid on no less than six times his actual profit. In our particular instance the 133rd Section comes to his relief in the following manner:—The trader is allowed to strike a new average, knocking out the first of the four years given above and bringing in the last; that is to say, he is allowed to pay on the average of the £5,000, £3,000, and £1,000 years—*i.e.*, upon £3,000. Now this is bad enough, for although he benefits largely by the operation of Section 133, he still pays on £3,000 when his actual profit only amounts to £1,000. The big repayment under Section 133, although insufficient, is nevertheless an undoubted benefit, and it is this benefit which the Chancellor proposes to remove, and so cause the taxpayer to pay on the original assessment of £6,000 when making but £1,000.

Do taxpayers fully understand what is meant by this proposed abolition of Section 133? Probably half a million sterling is repaid in accordance with Section 133 each year, and did taxpayers only know of the operation of the section, the repayments would amount to many times that figure, at any rate, in bad years. Further, thousands of adjustments are made in accordance with Section 133, without making repayment necessary—*e.g.*, by reduction of assessment before any payment is made.

The average system operates in the most intolerable way against unsuccessful taxpayers; and if Section 133 is to be repealed, then unfortunate professional men and traders will be thrust still further into the mire, and all in order to do something "very beneficial to the Revenue," as says Mr. Asquith. But Mr. Asquith also goes on to say that the repeal will "do no harm to anybody if it is carried out." How can he justify this statement while still retaining the average system, which works so iniquitously?

Yours faithfully,

London, May 1st 1907. T. HALLETT FRY.

A Question of Account.

(*To the Editor of The Accountant.*)

SIR,—Under the above heading appears, in your issue of the 10th November 1906, a letter of mine seeking information regarding the treatment of an item in the accounts of a college, which is a limited liability company.

The question has again been raised by many of the shareholders that the cost of the waterworks erected by the company, and paid for by one of the directors in the form of a gift to the institution, should not appear on the face of the Balance Sheet in its present form.

In the published form of accounts enclosed herewith [not reproduced] it will be noticed that the item appears among the assets under the donor's name *per contra*, as well as among the liabilities in the same manner, but by way of a variation of name, such as "Water Supply Fund."

The contention of the shareholders is that the donation should have been journalised, debiting the contractors and crediting either the No. 1 or No. 2 Profit and Loss Account.

Although the payment did not pass between the company and the contractors, the liability ceased to exist when the director sent his cheque direct to the contractors in full settlement of their debt.

It is further asserted that whilst the item under the name of "Water Supply Fund" continues to be shown among the liabilities, the asset is reduced by that amount—viz., £240 odd—in value, therefore the amount should be made to disappear from among the liabilities.

As auditing time is fast approaching, I shall be glad of your opinion on the point at issue.

Yours faithfully,

INTER VIVOS.

[We think it wrong to charge Revenue with depreciation on assets that have been presented to the company; certainly it is not *necessary* to do so. Probably it would be best to omit the item from both sides of the Balance Sheet, but there can be no objection to it being permanently upheld if desired.—ED. *Acct.*]

Income Tax Reform and Reduction League.

(*To the Editor of The Accountant.*)

SIR,—I have had so many letters and requests made to me privately and in public to consider the question of the formation of an Income Tax Reform and Reduction League that I feel that I should take the opinion of your readers upon the matter.

Were such a League started I imagine its objects (*inter alia*) might be—

To advocate a reduction in the rate of income-tax.

To impress upon successive Governments the necessity for the reform of the incidence of the tax.

To collect data as to irregularities in the incidence, and to lend the assistance of the League to the rectification of abuses.

Perhaps persons sympathising with the objects of the suggested League will, in the first place, communicate with me, or, better, will send me their cards.

Yours faithfully,

2 Cloisters, Temple, E.C. T. HALLETT FRY.

May 6th 1907.

Income Tax.

(*To the Editor of The Accountant.*)

SIR,—Will you kindly tell me the date from which Section 133 is to be repealed—6th April 1907, or 1908?

Yours faithfully,

May 7th 1907. *Z.*

(*To the Editor of The Accountant.*)

SIR,—May I be allowed to add to your comments in your issue of 27th April on the questions raised in Mr. Gowar's letter in issue of 20th ult.

In cases where interest on short loans (as in promissory notes) is not paid out of profits which have been charged to income-tax—*i.e.*, where a business is carried on at a loss and is not assessed to income-tax, then Section 24 (3) of Customs and Inland Revenue Act, 1888, applies, and the person paying the interest is not only entitled, but is *bound* to deduct income-tax from such interest (see *Lord Advocate; re City of Edinburgh*, Court of Session, Scotland, 15th October 1903).

With regard to the second question, a liquidator is bound, under the Act quoted above, to deduct income-tax from interest paid and to hand it over to the revenue, and if he fails to deduct the tax or fails to pay over any tax so deducted, and distributes the assets without meeting the Crown's claim (even though no application may have been made to him by the Crown before the distribution of the assets), he is held personally liable (*In re Watchmaker's Alliance and Ernest Goode's Stores*, Court of King's Bench, 28th March 1905).

A local collector of tax cannot accept payment, if profferred, of any tax not already assessed and charged in his duplicate of assessment. The proper course in such a case is to remit the tax direct to Somerset House.

Yours, &c.,

May 2nd 1907. INCOME TAX.

Capital Account of Sole Trader.

(*To the Editor of The Accountant.*)

SIR,—I shall be glad to have your opinion, or that of your readers, as to the best method of recording in a sole trader's books capital drawn from the business for the purchase of house property, mortgages, shares, &c., and the income resultant therefrom so as to differentiate between the capital invested in the business and that invested outside.

I have seen various methods of dealing with such transactions, as follows:—

(1) Accounts are opened in the business Private Ledger for the properties, &c., purchased which are ultimately incorporated in the Balance Sheet. The income derived is credited to the Capital Account, the latter thus showing the trader's total worth, but this method does not

distinguish between the capital invested in and outside the business.

(2) Accounts—memoranda only—are opened in the Private Ledger, as in No. 1, but they are not included in the Balance Sheet, which purports to show only the business capital. They are, however, entered on a supplementary list, which in conjunction with the Balance Sheet gives a record of the total possessions. The Capital Account, which only shows the amount invested in the business, is credited with the income from the private investments and the trading profits. The great difficulty in this method is caused by the reduction and increase in the Memoranda Accounts, which transactions do not appear in the Balance Sheet, though they pass through the business Cash Book.

(3) By the third method an attempt is made to keep the transactions separate by opening two Capital Accounts—one for the business and the other for outside investments — and by likewise dividing the Balance Sheet into two sections.

It might be suggested that separate books be opened to keep the Private and Business Accounts quite separate, but the case I wish for advice upon is one where the owner insists on having all his accounts in one Ledger and one Cash Book.

Yours faithfully,

NEWMAN NOGGS.

Depreciation, with Special Reference to the Accounts of Local Authorities.

(To the Editor of The Accountant.)

SIR,—I am grateful to Professor Dicksee for allowing us to see clearly the line of thought he was following in his lecture. As he says, the Electricity Accounts I sent him do not enable him "to determine whether the "statutory Sinking Fund instalments are sufficient or "not for depreciation."

We say *they are not*, and consequently we put aside a very considerable further sum as Reserve for Obsolescence, but I agree with Mr. Price that neither Professor Dicksee nor I, as accountants, are qualified to determine the matter; nor do I think that an auctioneer and valuer like Mr. Price can do so. The Bolton Corporation have called in the evidence on this matter of expert mechanical and electrical engineers, who after considerable trouble settled our depreciation at 6 per cent. on machinery, mains, and transformers, and at 10 per cent. on motors, meters, and instruments. This, after a severe tussle, the income-tax authorities considered *too much*, and they reduced for tax purposes the 6 per cent. to 5 per cent.

Our accounts show that not only are the Sinking Fund requirements met, but that last year we had in excess the sum of £13,650, and not only has this been increased during the past year to £17,142, but the Bolton Electricity Committee have wisely, in my opinion, out of their largely increased profits this year, reduced their gross capital by the sum of £3,204 for special additional depreciation of engines and machinery, &c. I quite agree with Professor Dicksee that the professional auditors of a corporation ought to satisfy themselves that the Sinking Fund instalments are sufficient. Our auditors, who are Chartered Accountants, reported last year to the Council that *Bolton's trade undertakings were adequately charged with depreciation.* They, of course, have access to the calculations and returns made to the Local Government Board, which Professor Dicksee has not. I may, however, for his information, state that the "S." Department of the Local Government Board are the keenest auditors of Debt and Sinking Funds that exist in the British Isles. This special audit is in addition to any ordinary Government audit, and is, besides, applicable to all corporations; for every Act of Parliament passed requires municipalities to make these special returns to the Local Government Board so that the Board in London may be quite satisfied that their necessary requirements are fully met yearly. And I may tell him that I have again and again been surprised with the ability and keenness displayed by that department, which is infinitely superior to anything shown by the ordinary Government auditor, as far as my long experience of them goes.

My brother officers will unanimously support me in this opinion, I know, but I can't say that this data ought to be given to the public except as they may get it through the Blue Books.

Yours truly,

Bolton, 7th May 1907. GEO. SWAINSON.

(To the Editor of the Accountant.)

SIR,—I must apologise for again trespassing upon your space with further reference to my recent lecture on the above subject, but as a review of this lecture appears in the current issue of *The Accountants'*

Magazine completely misrepresenting my views towards this important question, I should be much obliged if you would kindly place before your readers the accompanying copy of your contemporary's review, and of my letter in reply thereto.

Yours truly,

May 7th 1907. LAWRENCE R. DICKSEE.

"Depreciation, with Special Reference to the Accounts of Local Authorities." By Lawrence R. Dicksee, M.Com., F.C.A. London: Gee & Co., 34 Moorgate Street, E.C.

The above lecture deals with its subject mainly from the scientific point of view. Professor Dicksee first examines the ordinary and accepted view of depreciation held by the majority of accountants and business men, and then proceeds to investigate the principles underlying the subject. He arrives at the conclusion that "the charge against revenue in respect of the sinking fund may, *in the peculiar circumstances* applicable to the accounts of local authorities, be regarded as being the statutory equivalent for, and as taking the place of, the ordinary business man's charge for depreciation."

Professor Dicksee seems to have departed from the position he had formerly taken up in his book on depreciation, and probably to the minds of many readers the views then expressed will appear to be sounder, both scientifically and financially.

[COPY.]

To the Editor *Accountants' Magazine.*

Dear Sir,

"*Depreciation, with Special Reference to the Accounts of Local Authorities.*"

I observe that in the review contained in your current issue of my recent paper on the above subject, you state that I "arrive at the conclusion that 'the charge against revenue in respect of the sinking fund may, *in the peculiar circumstances* applicable to the accounts of local authorities, be regarded as being the statutory equivalent for, and as taking the place of, the ordinary business man's charge for depreciation.'" Will you permit me to point out that this quotation is verbally inaccurate, and, by being divorced from its context, becomes a complete misstatement of that which it was the object of my paper to prove.

What I did state was that, "Assuming the working life of the assets in all cases exactly corresponds with the period for which the loan has been granted, the amount set aside out of revenue during the time that those assets have been available for use as revenue-producers will exactly equal the whole of their cost," and therefore I went on to say that "although there might be minor errors with regard to the apportionment as between one year and another, the charge against revenue in respect of sinking fund might, *under these peculiar circumstances*, be regarded as equivalent to, and as taking the place of," depreciation. I went on further to point out that "The sinking fund instalment can only be regarded as equivalent to depreciation, in the ordinary business man's acceptance of that term, in those circumstances where the working life of each separate asset is exactly equal to the loan period," and I then showed, at some length, that, owing to the operations of equated loan periods, there was invariably "a very marked discrepancy between the loan period and the estimated life of almost each one of the various classes of assets proposed to be acquired, while of course there will be still further variations as between individual items of assets of the same kind"; adding later on "that in any event the statutory sinking fund will not suffice to keep the undertaking going. Further charges must be made against revenue as representing part of the cost of the renewal of what we may for convenience call the short-lived assets. . . . This is, and must in all cases be, the inevitable result of an equated loan period."

Upon again reading my pamphlet, I think you must admit that your reviewer has done me considerable injustice by attributing to me views that I do not hold, and which I have upon more than one occasion stated that I consider to be unsound. As the mis-statement is likely to do me considerable harm, I must ask you to publish a correction, or to insert this letter in your next issue.

Yours faithfully,

LAWRENCE R. DICKSEE.

Chartered Accountants' Chess Club.

THE first match of the above club was played against a team of the West London Club, at Brook Green Hotel, on Monday last. Considering the strength of the West London team, the result was by no means disheartening to the Chartered men, who were without the services of Messrs. F. W. Lord, I. E. Mannington, and G. A. Tooke.

West London Chess Club.		*Chartered Accountants' Chess Club.*	
R. P. Michell	1	H. J. Snowden	0
C. Nicholls	0½	A. E. Mercer	0½
E. J. Brooks	0	A. S. Walsh	1
C. E. Ford	1	K. H. Michell	0
H. E. Williams	0	P. H. Williams	1
W. Reffold	1	C. S. Meares	0
W. H. Frost	1	F. C. Allwork	0
F. W. Herbert	1	G. E. Wainwright, Jun.	0
J. H. Pearson	1	H. L. Shoveller	0
J. W. Bryceson	0	J. E. Egerton	1
E. Beisley	0	F. E. Barnes	1
	6½		4½

In view of the general meeting to be held in September for the election of officers, &c., for the ensuing season, it is requested that all chess-playing Chartered Accountants (or articled clerks) send in their names to Mr. H. J. Snowden, A.C.A., of St. Michael's House, Basinghall Street, E.C., so that a personal notice of the above general meeting may be sent to them in due course.

The Leicester Chartered Accountants Students' Society.

Income Tax.

By C. E. Isaacs.

At a meeting of the above Society the following paper was read by Mr. Isaacs, Mr. Carryer, A.C.A., presiding. There was a good attendance of members.

Introductory.

My subject on this occasion is so wide and comprehensive that I propose to deal with principles rather than details, in the limited time at our disposal.

The modern income-tax aims at taxation of income *at its source;* and a great many difficulties will vanish at once if this principle is clearly apprehended.

As long as the State can secure the tax on the income itself, it is not very much concerned with the owners of it.

It acts on the principle of looking after the incomes, and letting the owners take care of themselves. It intercepts the former, as far as possible, before it reaches its destination, helps itself to its share, and then allows the residue to pass on as free of income-tax.

The Legislature provides for granting exemptions, abatements, and allowances; but the onus falls on the taxpayer to claim them, and to prove his title to them.

The State endeavours to cast its net widely enough to enclose every source of taxable income, and to let nothing escape through its meshes that is worth retaining.

In order to give effect to these principles, all sources of income are classified under one or another of five headings, or schedules, as they are called, designated as A, B, C, D, and E respectively.

Schedule A relates wholly to income arising from land and buildings.

Schedule B to profits from occupation of land.

Schedule C relates to interest, &c., derived from public revenue.

Schedule D to trade and professional profits, and to all other income not specifically included under some other schedule.

Schedule E to income derived from public employment.

Every possible class of income is thus provided for, under one or other of these five schedules.

Schedule A.

Let us spend a few moments over Schedule A. Every building is assessed where it stands, and each holding of land is assessed where it is situated, usually in the same order as the poor rate assessments.

It does not matter who the owner is, or where he lives. The property is assessed, and the tax is recoverable, on the spot, from the occupier.

Returns of the annual value are required, speaking generally, from each occupier once in five years, and such returns are compared with the poor rate. Assessments are then made on the estimated rental at which each holding is worth to be let to an ordinary yearly tenant.

Suppose a certain house is of the annual value of £100 (less one-sixth allowed for the average cost of repairs). The owner may be subject to payments of ground rent, interest on mortgage, or to some other annual charge.

The State is only concerned with securing the tax on the assessment as a whole, and empowers the occupier to deduct from the next payment of rent to the owner the duty which he has paid on the owner's account. The latter in his turn is empowered by law to deduct the tax from each payment of ground rent, &c., which he makes.

If the recipient happens to be exempt from income-tax it makes no difference. He must suffer the deduction, under a heavy penalty for refusal to do so; but he can recover from the Government the tax so deducted, if he applies for the money, and proves his title to it, on the proper form.

The foregoing observations illustrate the principle of taxation of income at its source.

Schedule B.

Schedule B relates only to the profit arising from the occupation of agricultural land, and the income of the occupier is estimated, according to law, as one-third of the annual value, including tithe rent charge.

In framing the Income-tax Act of 1842 it was assumed that farmers need not be expected to keep accounts of profits. There were no school boards at that time, and there were no Chartered Accountants; but it was not to be thought of that a man should be allowed to escape taxation simply because of his ignorance of bookkeeping.

A rough and ready way was therefore devised to estimate a farmer's income Let the seasons be good, bad, or indifferent, his assessment had to stand at one-half of the assessment under Schedule A, including the tithe rent charge.

Thus if the annual value of his farm, including tithe rent charge, was £400, the farmer's taxable income was £200, no matter what his actual profit or loss might be.

Subsequent enactments have modified these conditions somewhat.

One-third of the annual value is now taken as the assessment basis, instead of one-half; and an occupier of land can elect to be assessed under Schedule D like an ordinary trader. Even if he remains assessed under Schedule B, he can claim remission of overcharge on proving his case by production of accounts.

Schedule C.

As to Schedule C, it is enacted under Section 88 of the Act of 1842 that the duties shall be paid by the persons and corporations respectively entrusted with the payment of the annuities, dividends, and shares of annuities thus charged, and shall extend to all public annuities whatever, payable in Great Britain, out of any public revenue in Great Britain or elsewhere.

By Section 89 the Bank of England and the Commissioners of the National Debt are required to deliver accounts of the annuities payable to and by them respectively to the Commissioners for assessing the same.

By Sections 93 and 94 they are required, on behalf of the Government, to set apart and retain the amount of duty so assessed, which they are empowered to deduct from the persons who are entitled to such annuities, dividends, or profits.

By Section 96 all other persons or agents entrusted with the payment of annuities or dividends, payable out of the public revenue of any Colony, are required without further notice to furnish accounts for the use of the Special Commissioners to enable them to make proper assessments thereon accordingly.

Section 97 deals with securities issued at the Exchequer or other public office.

By Section 2 of 5 & 6 Vict., c. 80, provision is made for securing the tax on annuities and dividends payable out of the revenue of any foreign State.

Every possible precaution seems to be taken to effect taxation of income at its source, the result being that about four-fifths of the whole duty is raised in this way.

I endeavoured to show in my recent lecture on "Graduation of Income-tax" that a very large portion would be lost altogether if not collected at the fountain head.

Schedule D.

Schedule D relates mainly to profits arising from trade, manufacture, professions, and employment; to precarious and casual income, and, indeed, to any and every kind of income which is not classified under any other of the five schedules.

Under Schedule D taxation at its source is aimed at as much as it is under any other schedule, and it is attained wherever the subject is tangible and definite.

For instance, a railway company, or a large public company, consisting of numerous shareholders, is assessed as one entity. The Profit and Loss Accounts show the total profits of the concern, and they are taxed in one sum. The dividends actually paid to each shareholder are thus free of income-tax—that is to say, they are free from taxation in the hands of the payee.

The same principle of taxation at its source holds good in every business, because it is the business that is the subject of taxation for its total profit before any of the latter is distributed.

It is, however, under Schedule D that most of the leakage of revenue occurs; because it is impossible, however finely the meshes of the fiscal net are woven, to secure that every source of income shall be *detected*.

One man may be the occupier of a highly-rented dwelling-house, another may have no permanent residence at all; yet each may derive a vast income from foreign profits which the Revenue authorities may have no means of discovering.

If, therefore, the owner of such income does not think fit to inform the assessor of his liability (though the law requires that he shall do so), he doubtless too often escapes altogether from paying income-tax, because the source of income is invisible and intangible in this country, except to the receiver of the income.

Nevertheless, we see that taxation at its source is the main principle governing the administration of income-tax in the United Kingdom.

The recent select Parliamentary Committee, in their report on graduation of income-tax, have rightly recommended that this principle shall not be abandoned, whatever other changes may be advisable in the law and administration of income-tax.

Under this Schedule, as under others, we have to tax the source as a whole, leaving such details as individual incomes or claims of exemption, abatement, &c., to find their own level as regards adjustment of personal liability.

Why is Income-tax under Schedule D unpopular?

Apart from its inquisitorial character, nearly all its unpopularity among traders and professional men is caused by neglect of the public, in very many instances, to keep reliable accounts of profit and loss, and consequently to make correct returns. For very many years subsequent to 1842 such neglect was very general indeed.

The Revenue officers required full and accurate returns of profits, which the public was for the most part unable to supply, the result being that estimated assessments were made which were necessarily guesswork to a large extent, and, like shots in the dark, they usually went wide of the mark.

Within the last thirty years much improvement has taken place, owing largely to business people becoming more generally alive to the value and importance of pro-

perly kept and audited accounts. Assessments under Schedule D are therefore now, in numerous instances, settled accurately and amicably between the professional accountant and the Surveyor of Taxes, appeals before the Commissioners being rarely necessary; whereas formerly much time was wasted and a great deal of misery and injustice caused as the result of personal appeals before the Commissioners, which could not be satisfactorily settled in the absence of proper accounts of profit and loss, which were far too rarely forthcoming.

It is not too much to say that at the present day such an important branch of our fiscal system as the income-tax under Schedule D could not be efficiently administered without the loyal assistance of trained professional accountants with a legally recognised status such as yours.

I will not attempt to follow the ordinary beaten track of rules and regulations, such as may be found in text-books, but will continue to enunciate principles for your guidance in settling liability under Schedule D.

You naturally think solely of your clent's interest, and how the income-tax assessment concerns *him;* but the Government is concerned only with getting the tax on the profits of the whole business, whether they all belong to your client or are shared by his creditors or partners.

To find the proper amount of an assessment you have to ascertain the gross profits of the business shown by the Trading Accounts, and to deduct therefrom only the necessary expenses incurred in earning them.

Capital may be sinking or melting rapidly away, but you cannot legally set off any of it against the profits returnable for assessment.

(I will make some observations about depreciation later on.)

Most of the fundamental rules and regulations referring to Schedule D are to be found in Section 100 of the 5 & 6 Vict., c. 35, containing six cases and numerous rules.

Averages.

The general rule as regards trades, manufactures, &c., is that they shall be assessed upon an average of three years ending on such date immediately preceding the year of assessment on which the accounts shall have been usually made up.

There are certain exceptions—such as quarries, gasworks, waterworks, &c.—which are chargeable on the profits of the preceding year, also mines chargeable on an average of the five preceding years.

But what about those concerns which have not been in existence three years?

For the first year it is obvious that the only fair assessment that can be made is on the actual profits of that year.

For the second year the law provides that the assessment shall be made upon the average of such time, less than three years, as the concern has been in existence prior to the year of assessment; but if the actual profits of the year are less than the assessment, repayment of duty can be claimed under the provisions of the 133rd Section of the 5th & 6th Vict., c. 35.

For the third year the same remarks apply as to the average to be taken; but no repayment can be successfully claimed at the end of the year, unless the profits of the assessment year and the average of the three years including that year (if so long a period since the commencement of the business has elapsed) each amount to less than the sum assessed.

I may here remark that in some districts it is not unusual to take the actual profits realised during the year of assessment as the basis of the assessment for that year, until the business has existed long enough to be assessed on the average of the three preceding years.

Such an arrangement, however convenient it may be from some points of view, has no legal basis.

Succession.

Notwithstanding any change in the ownership of a business, the profits are to be assessed on the proper average, as if there had been no such change as to all or any of the partners, or by admitting a new partner into the concern, the underlying principle remaining that the profit has to be assessed at its source, quite irrespective of its destination or distribution.

If a business remains in the same hands, or is not subject to serious fluctuations, the system of averages answers very well on the whole; but if there is a change of ownership, and the successors can show that the profits have fallen short, or will fall short, from some specific cause since the change or succession took place, or by reason thereof, the business may be treated as if it were a new one, as it would be obviously unfair to work on averages which do not afford any reasonable forecast of the profits.

Capital Outlay and Working Expenses.

A rigid distinction must be drawn between capital expenditure and working expenses in claiming deductions from gross income for purposes of assessment.

No deduction is allowable for any sum intended to be employed as capital, nor for any capital employed in improvement of the trade premises, nor for anything written off for depreciation of land, buildings, or leases.

Disbursements not wholly and exclusively laid out for the purpose of the trade.

I am here alluding to another class of inadmissible deductions, which you may find it useful to take note of.

A few examples may be serviceable.

(1) a colliery company are members of a coalowners' association, to which they pay a subscription based on their output of coal.

The association pays its members an indemnity against stoppage of output caused by strikes.

The Judges held that the subscription was not money laid out for the purposes of the trade, and was therefore not admissible as a deduction in arriving at the profits for assessment.

(2) A firm of brewers executed the repairs to their tied houses let to tenants, and claimed the cost as a deduction from their gross profits.

The Judges decided that such sums could not be deducted in arriving at the brewer's trade profits, because the repairs were not repairs for premises occupied by the brewers themselves for the purposes of the trade.

(3) A firm of brewers had expended certain sums for law costs, printing, and advertising, in connection with applications made by them to the Licensing Bench for new and additional licences to houses owned and leased by them, and to houses not owned by them, but for which they conducted the applications for the purpose of maintaining and increasing the trade.

Payments were also made to owners of public-houses for the right to call for surrender of the licences attached to such houses, if required by the Licensing Justices to be surrendered before the grant of new licences for new houses. Where the applications were successful the expenses were added to the cost of the new houses. The company claimed, in computing their profits, to deduct these sums in cases where the applications for new licences were unsuccessful as a necessary annual trade expense; but the Court refused the appeal, holding that it was an expense out of realised profits and not an expense in the process of earning them.

(4) A mortgage company raises money by the issue of debentures, and lends it at a higher rate of interest. The Judges held that the commission paid to brokers, and the other expenses incurred in raising the money, could not be deducted under Schedule D as trade expenses.

(5) Preliminary expenses—that is to say, expenses incurred before commencing business—are from their nature charges against capital, at any rate so far as income-tax is concerned.

(6) It may be of interest if I give one more instance of inadmissible deductions. An insurance company took over the business of another company, with a stipulation that the manager of the latter company should be taken into the employment of the former, with liberty for his new employers to commute his salary by paying him a lump sum, an option which they exercised. They claimed the commutation money as a deduction for working expenses. The Surveyor of Taxes held that the payment was part of the consideration for the transfer of the business, and therefore a charge against capital, not income.

The deduction might have been ruled as inadmissible on other grounds as a charge against profits, because the income-tax is an annual one, and only one year's salary could ordinarily be debited against one year's profits.

(It might be thought absurd to speak of the income-tax as a merely temporary and annual impost. As it has lasted for sixty-five years, and its vitality is unimpaired, it may be regarded as a very hardy annual.)

It was, however, imposed in the first instance as a temporary tax, and for several years was regarded as such.

It seems quite clear that it now forms an essential part of our fiscal system; so it behoves us to try and understand its troublesome peculiarities.

Income-tax.

The Act requires that in estimating the balance of profit no sum shall be deducted for any disbursement or expense which is not money actually laid out for the purpose of the business. Income-tax is therefore not admissible as a deduction. It is not an expense in earning the income, but a tax on the income which has been acquired.

An employee with a salary of £400 would not be legally justified in returning £390, on the assumption that he may deduct income-tax from his salary before returning it for assessment; nor would his master be justified in charging income-tax as an expense against the gross profit in arriving at the net profits of his business for assessment.

Rent of Trade Premises.

The total rent payable for trade premises is allowable as a deduction from gross profits, unless the proprietor of the business resides there; in which case he is not allowed to deduct more than two-thirds of the rent as a trade expense, because that portion of the building which is occupied as a private dwelling is not used in earning the profits of the trade.

The tradesman must live somewhere, and the rent of his private residence must be paid out of his taxed income.

The case is not altered simply because he, for convenience, prefers to dwell on the premises where his business is carried on.

The same rule applies to rates. Any other expenses common to the house and the business—such as coal, gas, &c.—must be adjusted in some reasonable proportion in determining what is chargeable to the business alone.

If the trader is the owner of the premises he is entitled to deduct the net annual value charged under Schedule A, provided that the whole of the premises are used for trade purposes; or not exceeding two-thirds, if he lives on the premises.

As I have already observed in one of my previous lectures, the limitation of two-thirds as the maximum allowance under such circumstances is a very arbitrary one. The Commissioners should, I think, be empowered

by law to determine the *just* proportion in every case. A hotel-keeper, or the proprietor of a boarding school, for instance, may require but a small portion of the premises for a private dwelling, in which case the maximum deduction of two-thirds might be absurdly inadequate.

I may observe that as the Schedule A assessment covers ground-rent, least-rent, mortgage interest, or other annual charge, if items like these are already debited in the accounts, the amounts must be deducted from the net Schedule A, and only the balance must be set off against Schedule D, otherwise double allowance would be claimed for the same thing.

Interest.

The Act says, "In estimating the amount of the profits "no deduction shall be made on account of any annual "interest, or any annuity or other annual payment, payable "out of such profits."

This is equivalent to treating such interest, annuities, or other annual payments as part of the profits of the business, and is quite consistent with the great principle of taxation of income at its source.

The lender of the money is, in a certain sense, a sleeping partner in the concern.

The tax on the total profits of the concern is payable by the borrower; and as the interest due to the lender forms part of those profits, the borrower is empowered by law to recoup himself by deducting the tax on the interest from each payment to the lender.

Interest is frequently charged on a partner's or proprietor's own capital. This also is a portion of the profits of the business, and is taxable at its source, in the same way as interest on *borrowed* capital.

In short, all annual interest, even when paid to foreigners, is inadmissible as a deduction in arriving at the net assessable profit; but, on the other hand, the law empowers the payer thereof to deduct the income-tax from each payment, and to be acquitted of the amount of such deduction as if it had actually been paid into the hands of the person receiving the residue of such interest.

I must refer to a certain contingency. If the interest on borrowed capital exceeds the profits of the business, or even if there are no profits at all, the payer of the interest is still entitled to deduct the income-tax therefrom, although there may be no assessment under Schedule D.

An Act passed in 1888 makes it obligatory on the payer of the interest under such circumstances to deduct the income-tax, and to render an account at once to the Inland Revenue, so that the tax which has been deducted may be paid into the public Exchequer.

In this you have still another instance of taxation at the source.

Depreciation of Machinery and Plant.

By the Customs and Inland Revenue Act of 1878, Section 12, the Commissioners of Taxes are empowered to allow such deduction from gross profits as they think just and reasonable as representing the diminished value by reason of wear and tear during the year of any machinery and plant used for the purposes of a concern.

This allowance for wear and tear is usually spoken of as "depreciation," although the word itself is not used in the above-mentioned section.

Wear and tear is, of course, depreciation, but the latter term is far more comprehensive than the former, to which the allowance is strictly limited.

There may be depreciation from various causes, including a falling-off in the market value of machinery and plant; but the allowance contemplated by the Act is limited to *wear and tear*. Even this was not admissible until thirty-six years had elapsed from the date when the modern income-tax was introduced.

I remember the efforts made in Parliament more than thirty years ago to induce the Government to consent to such an allowance, and the immense difficulty which was experienced in obtaining legislative sanction for it.

The Act of 1842 prohibited allowance of loss of capital in estimating profits assessable to income-tax; and as wear and tear meant loss of capital, it was therefore inadmissible as a deduction.

It is true that the taxpayer was entitled to claim as an expense the cost of supply or repairs or alteration of any implements, utensils, or articles employed for the purpose of the trade, and this was held to cover the cost of renewing machinery and plant.

If a manufacturer likes to claim the cost of renewals of plant and machinery when they occur, instead of claiming a yearly allowance for wear and tear, he may still do so; but he cannot legally get the same thing both ways—that is to say, he must not debit the cost of renewals to revenue and claim allowance for wear and tear as well.

The cost of *repairs* is another matter. Notwithstanding patching and repairing, machinery will gradually wear out, and require ultimately to be superseded, even if it does not become obsolete meanwhile.

The cost of replacement or renewal must be regarded as a charge against the accumulated yearly allowances for wear and tear, and not against the revenue of the year in which the replacements occur.

On the other hand, if no allowance has been made year by year for wear and tear, the cost of renewals may be included in the deductions for the year in which it is incurred, thereby affecting the average of the three years on which the following year's assessment is based.

In the case of an allowance for wear and tear being claimed, the assessment on the average of three years has to be arrived at before such deduction can be made, and

the wear and tear for the current year is then allowed separately.

A concession was made by the Chancellor of the Exchequer in a letter issued in the year 1897—a concession obtained, I think, through the efforts of gentlemen representing the manufacturing interests of this neighbourhood.

It has never passed into law, but it is nevertheless available for all who are in a position to claim it.

In the case of public companies especially, it seems right to claim an annual allowance for wear and tear in preference to an occasional one for cost of renewals, so that, in justice to shareholders for the time being, there should be no unnecessary variation in the assessments from year to year through heavy charges for renewals coming into one year and correspondingly few into succeeding or preceding years.

The great objection to allowances for wear and tear, however, is the frequent uncertainty as to what is just and reasonable.

The Commissioners are constituted sole judges, and there is no appeal from their decisions on questions of fact.

The usual mode of allowance is by a rate per cent. on the written down value of machinery and plant; and the rates vary not only according to the nature of such, but also according to the judgment of each separate body of Commissioners.

It is therefore possible for the Commissioners in one town to grant 5 per cent., and for the Commissioners in an adjoining town to allow 10 per cent. for precisely the same class of machinery and plant.

Anomalies of this kind may be avoided by appealing to the Special Commissioners instead of the local Commissioners, as the jurisdiction of the former extends over the United Kingdom.

There is room for legislation on this important subject, as I indicated in a lecture at Birmingham on December 4th 1900, which was the subject of leading articles in *The Accountant* on March 16th 1901 and January 11th 1902.

It may be very difficult to say in all cases what are fair rates to apply, but if they were fixed by Act of Parliament uniformity of treatment would be obtained, which alone would do much to prevent cause for complaint.

I shall be glad to see legislation introduced granting deductions for depreciation of capital in certain other cases besides wear and tear of machinery and plant, but at present nothing of the kind is admissible in respect of depreciation of leases, patents, exhaustion of minerals, or depreciation of investments.

When the rate of income-tax continues at a high figure the taxpayer's attention is gradually drawn to the subject of insufficient allowances from gross profits in fixing his liability for assessment.

If his profits for the year amount nominally to £1,000, and his capital has depreciated to the extent of £1,000 in the same period, it is hard to persuade him that he ought to pay £50 tax on profits when he regards himself as the loser of £1,000.

Repayment of Income-tax.

As exemptions, abatements, and allowances are granted under the provisions of the Income-tax Acts, it follows that the system of taxing income at its source must result in the automatic taxation of some income which is not liable to it.

A railway company, for instance, having paid tax on its total earnings must in turn deduct income-tax from all payments of dividends, whether the shareholder is a day labourer or a millionaire.

The person thus taxed can obtain repayment of the duty from the Government on proving his title to exemption or abatement within three years after the end of the year of assessment, on forms obtainable from the local Surveyor of Taxes.

Other repayments are, however, obtainable in many cases, which do not arise in consequence of taxation of income at its source, but are dependent on adjustments of assessments.

In such instances the three years' limit prescribed by Section 10 of 23 & 24 Vict., c. 14, does not apply, and application for repayment must be made as soon as possible after the end of the year of assessment.

I will give a few illustrations of my meaning.

(1) Under the 133rd Section of the Act of 1842, as amended by Section 6 of the Act of 1865, if in any instance the average profits under Schedule D of the three years, including the year of assessment, fall short of the assessment, and the profits of the year itself also fall short of the assessment, a claim for repayment may be made accordingly, if notice is given at the end of the year of assessment.

It is not expected that such notice must be given within twenty-four hours of April 5th; nor, on the other hand, does it mean that it may be delayed indefinitely.

The governing consideration is how soon after the end of the business financial year is it reasonable to expect that the result of that year's trading should be definitely ascertained.

If notice of appeal is given within three months after April 5th no difficulty is likely to be raised as to receiving it.

So far as the Special Commissioners are concerned, they will receive notice at any time within twelve months following the end of the year of assessment.

Some of the local bodies of Commissioners will object to

do so if the notice is delayed beyond six months, or even less.

It is better to err on the safe side, and send in the notice of application for repayment as soon as there is reasonable assurance of a *primâ facie* case. The accounts can follow when they are ready.

Cessation of Business.

It is provided by Section 134 of the Act of 1842 that application for adjustment of liability by reason of cessation of business must be made within three months after the end of the year of assessment.

Loss in Trade or Profession.

Application for adjustment of liability by reference to loss in trade or profession and to aggregate income of the year of assessment must be made within six months after the year of assessment, according to the Customs and Inland Revenue Act of 1890, Section 23.

Loss in Farming.

The Finance Act of 1896 provides that if anyone occupying lands for the purpose of husbandry shows at the end of the year of assessment that his profits during that year fell short of the assessment, he may apply for repayment accordingly, in the manner provided by Section 133 of the Act of 1842.

Conclusion.

In conclusion, let me say that I do not profess to have treated the subject of income-tax in an exhaustive manner this evening in any respect; but I have tried to cover as much general ground as possible in the time at my disposal, and in such a way as to direct your attention to fundamental principles, which will, I hope, be of great assistance to you in studying the technicalities of the income-tax, and in successfully applying them in connection with your professional duties.

I shall now be pleased to reply, as well as I can, to such questions as you would like to put to me relating to my observations this evening.

At the close of the lecture a vote of thanks to the lecturer was proposed by Mr. Cherry, F.C.A., and seconded by Mr. F. W. Preston, A.C.A.

A vote of thanks to Mr. Carryer for presiding terminated the proceedings.

The Nottingham Society of Chartered Accountants.

THE sixth annual general meeting was held on 15th April 1907. The following are the

REPORT AND ACCOUNTS.

The Council have pleasure in presenting the sixth annual report of the Society.

Accounts.

The accounts for the past year are presented for the first time in the form of an Income and Expenditure Account and a Balance Sheet, and it will be seen from the Balance Sheet that, taking the value of the Library at £75 (about half its cost), there is an accumulated surplus, since the formation of the Society, of £116 7s. 3d.

The accounts of the Tuition Scheme, which deal with the year ending in June last, show a balance in hand at the end of the year of £44 18s. 3d. As the year began with a balance of £13 1s. 5d., there is a profit on the year's working of £31 16s. 10d. While it is desirable to have a balance in hand as a reserve fund, yet, once this fund is formed, there is no reason why the receipts should materially exceed the outgoings in each year, and as the scheme is now on a sound basis, the matter is one which must engage the early attention of the Council.

Tuition Scheme.

In addition to what has been said in the preceding paragraph, it may be mentioned that the scheme is working very satisfactorily. The Council have come to the conclusion that it would be well to appoint a Special Committee to overlook the work being done under the scheme, and it will be observed that this is provided for in the notice as to the amendment of the rules of the Society which accompanies this report. The actual work of the scheme is conducted by Messrs. E. Huntsman and C. J. Pain as Lecturers, and Mr. G. M. Moore as Secretary, and to these gentlemen the Council desire to tender their thanks.

Library.

A sum of about £40 has been expended on the Library during 1906, and considerable purchases have been made since that date. The Library has been revised, and of the most important books the newest editions have been obtained. A catalogue was recently circulated among members, and a list of books since purchased is sent with this report. It will be noticed that the editions superseded by newer ones are offered for sale at the annual meeting. The Secretary would be obliged if members would assist him by sending any suggestions with regard to the purchase of books likely to be useful to members. There are, of course, certain standard books which must be present in the Library. The object of the Council has been to provide not only these books, but also books which accountants in general practice would probably not think it worth while to keep in their own library, but which deal with points which may occasionally arise.

Meetings.

Two general meetings have been held during the year. At one of these Mr. S. P. Derbyshire gave an account of his experiences among the accountants of the United

States during his recent visit. The other meeting was held in conjunction with the Students' Society, and was for the purpose of hearing a lecture from Mr. W. H. Fox, F.C.A., on "Percentage Statements of Cost as applied to Various Businesses."

General.

The Council have had various matters under their consideration during the year, including the proposed amendments to the bankruptcy laws, the question of certifying Income-tax Accounts rendered to the Surveyor by accountants on behalf of clients, and the question of Building Societies' Accounts. The Society is the recognised representative of the Institute for its district, as other provincial Societies are for theirs, and in this capacity various matters have come before the Council from time to time, and have been dealt with, as the Council believe, in the interests of the profession generally.

By order of the Council,

S. P. DERBYSHIRE, *President.*

WM. R. HAMILTON, *Hon. Secretary.*

Nottingham, 10th April 1907.

BALANCE SHEET, 31st December 1906 (Exclusive of Tuition Fund Transactions).

Liabilities.	£ s d	£ s d
Sundry Creditors:—		
Library	7 5 10	
Teas	5 12 6	
Printing and Stationery	0 19 0	
		13 17 4
Income and Expenditure Account:—		
Balance at 31st Dec., 1905	68 19 9	
Surplus for year ending at date	47 7 6	
		116 7 3
		£130 4 7

Assets.	£ s d
Library.—Books and Furniture:—	
Cost to date, £136 4s. 11d., say	75 0 0
Institute of Chartered Accountants:—	
Library Grant for 1906	18 0 4
Cash at Bank	37 4 3
	£130 4 7

I have examined the above Balance Sheet, with the books of the Society, and certify that it agrees therewith, and is in my opinion correct.

Nottingham, 28th March 1907. THOS. LEMAN.

INCOME AND EXPENDITURE for Year ending 31st December 1906 (exclusive of Tuition Fund Transactions).

Expenditure.	£ s d
General Printing and Stationery	3 19 6
Postage and Sundries, including Teas at Meetings and Presentation to Secretary of Tuition Scheme	11 6 10
Balance, being Surplus	47 7 6
	£62 13 10

Income.		£ s d
Members' Subscriptions:—		
8 at £2 2 0	£16 16 0	
22 " 1 1 0	23 2 0	
7 " 0 10 6	3 13 6	
		43 11 6
Institute of Chartered Accountants, Library Grant		18 0 4
Bank Interest		1 2 0
		£62 13 10

Note.—This is the first year for which the Accounts have been presented in this form. Previously only a Cash Account was prepared. The value of the Library as at 31st December 1906 has been taken at a round figure, and no portion of the depreciation involved in taking this figure has been charged in the present year's accounts.

TUITION SCHEME.

SUMMARY OF RECEIPTS AND PAYMENTS in respect of the Autumn Session 1905 and the Spring Session 1906.

Receipts.	£ s d
Balance from last Account	13 1 5
Fees from Students	88 4 0
Grant from Institute of Chartered Accountants	34 10 0
	£135 15 5

Payments.	£ s d
Lecturers' Fees	63 0 0
Secretary of Tuition Scheme—Honorarium	6 6 0
Printing and Stationery	11 1 2
Grant to Students' Society for purchase of Books	10 10 0
Balance in hand at close of year	44 18 3
	£135 15 5

I have examined the foregoing Account, with the Books and Vouchers of the Society, and certify the same to be correct.

Nottingham, 28th March 1907. THOS. LEMAN.

Honour to a Chartered Accountant.

In the freedom of the borough, Stockton on the 29th ult. conferred its highest honour upon Mr. Frank Brown, F.C.A., one of its most respected citizens, and to whom it owes the gift of £8,000 towards the splendid Queen Victoria High School for Girls.

The ceremony took place in the Council Chamber, and with this tastefully decorated with flowers by the park curator, the presence of a large number of fashionably-attired ladies, and the rich gowns of the occupants of the aldermanic bench, the scene was quite a gay one.

Stockton only possesses four freemen in Sir Robert Ropner, M.P., ex-Alderman J. Samuel, the ex-member, Alderman R. Hird, "father" of the Corporation, and Mr. F. Brown, and these were all present except Sir Robert Ropner.

Mrs. Frank Brown and her family were interested spectators, as also was the aged but still active Mr. John Robinson, accountant, with whom Mr. Brown served his time.

The interesting proceedings commenced with the reading by the Town Clerk (Mr. A. B. Crosby) of the resolution of the Council conferring the honorary freedom of the borough upon Mr. Frank Brown.

This over, the Mayor (Alderman J. Harrison) rose, amidst applause, to present the beautiful gold casket containing the scroll of the honorary freedom, which occupied a prominent position upon the Town Clerk's table.

The Mayor at the outset referred gracefully to the magnificent generosity of the ex-Mayor, and the great interest he took in all matters appertaining to the welfare of his fellow-townsmen. Mr. Frank Brown belonged to an old Stockton family. "A William Brown was Mayor of Stockton in 1508," observed the Mayor, "but I am not going to say Mr. Frank Brown is a descendant of that William Brown who presided 400 years ago, but this we do know, that his forefathers commenced an ironfounding business in this town in 1789, and it has been carried on ever since." He was not only born in Stockton, but his scholastic and business education was completed in it. He had succeeded not only in his business, but his sterling worth had been recognised in other directions, particularly upon the Durham County Council, of the Finance Committee of which he was Chairman. Reference was made by the Mayor to the recipient's life-long interest in higher education, which culminated in his gift of the Queen Victoria High School at a cost of £8,000. But for this Stockton would have been dependent upon neighbouring towns and districts for the higher education of its girls. His work and generosity in connection with the extension of the hospital and the able way in which he occupied the Mayoral chair for two years upon being brought into the Corporation from outside its membership were also mentioned, the Mayor observing that Mr. Brown and his wife had endeared themselves to the hearts of all by the earnest and generous manner in which they carried out their duties.

The "father" of the Corporation, Alderman R. Hird, also spoke, and on behalf of his brother freemen welcomed Mr. Brown to their number. He also referred to the long and honourable association of the Brown family with the town and district, and observed that the starting of the iron foundry at Stockton was the beginning of the great iron and steel industry on Teeside. They were also the pioneers of the Stockton Hospital, which through their instrumentality was begun in a cottage upon the quayside fifty years ago, when, with the pre-Middlesbrough days, Stockton was the chief port of the Tees and had a large shipping trade.

Alderman A. G. Rudd, who also added his tribute to the high qualities of Mr. Brown, regretted that in previous generations such worthies as John Walker and the great furniture designer, Sheraton, both natives of the town, had been allowed to go to their graves "unwept, unhonoured, and unsung."

Councillor F. B. Watson also referred in high terms to the services of the ex-Mayor.

The new freeman then signed the roll, and in addition to the casket was also presented by the Mayor with a silver cigar box, inscribed with the vote of thanks passed by the Corporation at the conclusion of his two years of service in the chair, this having been chosen by him in preference to the illuminated albums usually presented at the end of each year.

Mr. Brown, in his acknowledgment, referred with regret to the absence of Sir Robert and Lady Ropner, and of the oldest official, Mr. W. Ford, through illness. In being included amongst those whom they had honoured before, they had conferred upon him, he proceeded, the greatest honour and distinction it was possible to do. "In one important particular only," he observed, amidst applause, "can I say I am not behind my predecessors, and that is in my whole-hearted attachment to my native town and its people." It was 120 years ago since his grandfather, leaving Scotland like a prudent Scotchman, turned his face south and found the soil of Stockton congenial. An interesting reference was made by Mr. Brown to the share of Stockton in the work of the Durham County Council, in whose area, he remarked, it was the most important non-county borough from the standard of population and rateable value. The Stockton representatives had an important part in the county administration. Alderman Page was Chairman of

the Works Committee, which maintained 350 miles of main roads and 150 county bridges; Councillor Ordish Chairman of the Education Committee, with its charge of 120,000 children; Councillor Roger Chairman of the Asylum Committee, with 1,600 patients and 400 officials; and he (the speaker) had the honour of being Chairman of the Finance Committee, controlling an expenditure of nearly £700,000 a year. As to his gift of the Queen Victoria School, he rejoiced that its institution had been more than justified by the results, and that they now had an education system within the town which led them to the gates of the University. He recognised that the Corporation had conferred the honour upon him in a true, honest, and affectionate spirit, and he felt it would be a stimulus to him to serve his town and county more loyally than he had done in the past while at the same time being an incentive to his children in the years to come to recognise the duties of life.

The Mayor and Mayoress afterwards entertained the company to afternoon tea.

The Bankruptcy Act, 1883.

WHEREAS by Section 67 (Sub-Section 1) of the Bankruptcy Act, 1883, it is enacted that the Board of Trade may, from time to time, by order direct that any of its officers mentioned in the order shall be capable of discharging the duties of any Official Receiver during any temporary vacancy in the office, or during the temporary absence of any Official Receiver through illness or otherwise.

Now, it is ordered, and the Board of Trade do hereby direct, that the following person, being an officer of the said Board (that is to say), Edgar Ernest Deane, Esq., Inspector of Official Receivers, shall be capable of discharging the duties of any Official Receiver during any temporary vacancy in the office, or during the temporary absence of any Official Receiver through illness or otherwise.

Dated the 17th day of April 1907.

D. LLOYD GEORGE, President of the Board of Trade.

The Criminal Appeal Bill.

(From *The Law Journal.*)

THE Criminal Appeal Bill is now printed, and it is possible to get a better idea of its provisions than was given by the short introductory speech made by the Attorney-General, who introduced it. The Bill deals with convictions on indictment, coroner's inquisition, or criminal information, with two exceptions—(1) indictments or inquisitions for treason or felony against persons having or claiming privilege of peerage, and (2) indictments *at common law* in relation to non-repair or obstruction of highways, public bridges, or navigable rivers. Convictions in the latter class of case are to be treated for purposes of appeal as verdicts in a civil action, a provision which, as framed, will not give appeals from a conviction at quarter sessions.

The Court of Criminal Appeal is to be a new and distinct Court of Record. The one Judge definitely assigned to it is the Lord Chief Justice. He is to appoint other seven Judges of the High Court for such period as he thinks desirable. If he thinks fit, it may be composed of three, five, or seven Judges, or may sit in two divisions of not less than three Judges, and power is given to provide for sittings in vacation, which may be very necessary after the summer assizes, as a preferable alternative to letting out on bail all appellants from convictions recorded just before the Long Vacation. There is one novelty which is sure to raise discussion—viz., that the judgment is to be pronounced by the President or such other Judge as he directs, and no judgment with respect to the determination of any question shall be separately pronounced by any other member of the Court. This seems to be an attempt to introduce the Privy Council rule. By "judgment," no doubt, is meant "reasoned opinion," and not the formal judgment of the Court. As the clause stands, a dissenting Judge will not be able to record his dissent or give his reasons, however good, for dissenting. The clause, if maintained, will shorten reports of cases; but we do not think that muzzling the minority will be beneficial. There is to be no appeal to the Court of Appeal or House of Lords, and proceedings by writ of error or motion for a new trial are to be abolished.

It is not proposed to abolish the present system of stating cases under the Crown Cases Act, 1848, but simply to vest the decision of such cases in the new Court. Doubtless it is hoped that the established and simple practice will still be resorted to in many cases. But if the old system is to be retained, we think it would be better to require the Judge of first instance to state a case under the Act of 1848, instead of giving appeals as of right on points of law, which is the proposal of the Bill. The procedure by case stated will be much simpler, and will avoid the considerable expense inevitable under the system of appeal. But instead of this simple mode, which would cover most cases, the Bill gives every person convicted on indictment, inquisition, or criminal information (with the exceptions already stated) (*a*) a right to appeal on any ground involving a question of law alone; (*b*) a right, by leave of the appellate Court, to appeal against his conviction on any ground involving a question of fact alone or a ques-

tion of mixed fact or law, *or any other ground which appears to the Court to be sufficient*—these words are pretty vague, and invite ingenuity on the part of appellants and their lawyers; (*c*) a right by leave of the appellate Court to appeal against the sentence passed unless it is fixed by law—*e.g.*, in treason or murder. We may point out *en passant* that the Bill does not distinguish between an illegal sentence (now corrected by writ of error) and a sentence challenged as excessive having regard to the circumstances of the offence. But the Court may increase or reduce a sentence appealed against. Besides all these facilities for appeal, in the event of petitions being lodged for the exercise of the prerogative of mercy, which is expressly saved, the Home Secretary may refer the whole case to the Court, where it is to be treated like an appeal, or may refer to the Court for its opinion any point arising in the case with a view to his ultimate determination. The power of reference extends to the question of sentence (except sentence of death). This is a sufficiently long catalogue of occasions for appeal or review, and it must be added that application for leave to appeal may be made to one Judge, and, if refused by him, to a full Court.

We now come to what the Court is to do with an appeal when seised of it. If they think the judgment below involves a wrong decision of a question of law or fact, or of mixed law or fact, they are to set it aside; and where they think that the verdict of the jury should be set aside, on any ground on which the verdict of a jury may be set aside on an appeal to the Court of Appeal in civil proceedings, they are to allow the appeal, subject to a power of dismissal if no substantial miscarriage of justice has occurred. In ordinary circumstances, to allow the appeal will be to acquit the appellant, for no new trial before a jury is to be granted, even where the appeal is allowed for misdirection or non-direction.

But clause 9 contains some remarkable supplemental powers. The appellate Court may order the attendance and examination of compellable witnesses not called at the trial, and have their depositions taken before a Judge or officer of the Court or a justice of the peace, or any other person, and may receive the evidence, if tendered, of non-compellable witnesses, including the appellant, or the husband or wife of the appellant. It is also proposed to let the Court call in expert assessors; this, no doubt, for cases where insanity at the time of offending has been asserted at the trial and negatived by the jury. And the Court is to be empowered to refer for report to a special commissioner matters requiring prolonged examination of documents or accounts, or any scientific or local investigation which cannot conveniently be conducted before the Court. All this is in addition to powers of calling for documents, exhibits, or other things connected with the proceedings. The provision about reference to a special referee of a criminal investigation is a novelty expressly prohibited by the Arbitration Act, 1889, and is perhaps the most striking invasion of the time-honoured functions of the jury.

Elaborate provisions are made about the bailing of appellants, and for securing the right to attend at the trial except where points of law only are to be discussed. If these are not carefully worked there will be a good deal of leg-bail in the course of the administration of the Act. There are also clauses as to the effect of appeals on the revesting of stolen property and writs of restitution which need careful study. As framed they look like an invitation to receivers, or persons who have bought stolen goods, to aid the thief to appeal as a means of forcing the prosecution to terms.

The provisions of the Bill as to costs will need careful scrutiny. No costs are to be allowed on either side on the hearing and determination of an appeal, or any proceedings preliminary or incidental thereto. The Director of Public Prosecutions is to appear for the Crown on every appeal unless the private prosecutor undertakes to do so, which, in view of the costs clause above stated, he will be loth and ill-advised to do. The appellant may have solicitor and counsel assigned to him, and the Registrar of the Court is to report cases proper for such assignment even when it has not been asked for. The costs of the assigned solicitor *or* counsel are to be defrayed as the expenses of a prosecution or felony to an amount allowed by the Court, *i.e.*, they will fall on the local rate of the district from which the appeal comes. Moreover, shorthand notes must be taken in every case in which an appeal may lie with or without leave under the Act. This is to be paid for by the State, as are transcripts of the whole or any part of the notes if the Registrar so directs. A transcript for a full Court of seven will cost a good deal, and it will be additional to the notes and report to be furnished by the Judge of first instance under clause 8. Besides all this expense the local rate is to defray all costs of examining extra witnesses, of special commissions and of assessors, and of the appearance of the appellant. The net result is that it really would be cheaper to have an appellate gaol delivery of every prison by three Judges after each circuit or quarter sessions instead of the portentous new tribunal which this Bill proposes to create for all criminal cases.

In our opinion the system proposed to be created is far too elaborate and expensive a remedy for the evils supposed to exist. It may prove perfectly unnecessary and useless; but it is so drawn as positively to invite appeals, and if the invitation is answered more Judges will be wanted; indeed, the Government might as well face the occasion, and create a new and independent Court of

Justiciary to deal with all criminal appeals, and set free the High Court for civil business. After careful examination of the Bill, we adhere to the view we expressed on Lord Loreburn's Bill of 1906, that for present purposes it is enough (1) to make statement of a case by the Judge at a trial compulsory, (2) to give the Home Secretary power to refer to the Court cases in which judicial guidance on a petition for mercy is desired, and let the Court quash the sentence if the facts call for it. We believe that changes to this effect would remove most of the risks of injustice which are said to exist under the present law; and it is better to proceed cautiously in matters of public justice than to rush into a system which at present seems likely to create the mischiefs in England from which the United States is suffering so grievously.

English v. American Practice.

(From *The Journal of Accountancy*, N.Y.)

THE statement made by President Sells in his inaugural address to the effect that America is "far ahead of Great "Britain in the character of our professional accounting "work"—coupled, as it was, with the admission that in the fields of ethics and education we can learn much from the mother country—naturally suggests inquiry as to particulars. In what fields of accounting practice is the American accountant superior, and in what does his superiority consist? It has seemed worth while to seek answer to those questions, for we feel confident that the average American accountant will not swell with conceit should our investigation tend to corroborate the opinion expressed by Mr. Sells. Our accountants, especially those whose practice has not taken them across the water, have for years regarded the hoary profession of accountancy in Great Britain with an almost filial respect and veneration, and to many of them Mr. Sells' statements doubtless has brought greater surprise than to any English accountant.

There are many accountants in this country who are familiar with conditions in Great Britain. Some are English, some are American. Among them we find general agreement that American practitioners are superior to the English in at least one particular—namely, Cost Accounts and systems. The new conditions in the country and the rapid growth of business undertakings have made it necessary for the American practitioner to study this branch of accounting most closely and work out the difficult problems which it involves; whereas it is claimed that in England this most important subject has not been taken up in a thorough and systematic way. This point of superiority for the American accountant is admitted by many British accountants who are now practising in this country.

It is well known that the accounting systems in Great Britain entail much more repetition than is the case in America. For example, in Great Britain in a commercial business it is common to find that an invoice is written, transcribed to a sales record, summarised (if not copied in full) in the Journal, and from it posted to the Ledger. The same principle is applicable to the accounts of manufactories, and many other businesses. In America the system usually provides for the writing of an invoice, with an extra copy at the same writing. The extra copy is made the permanent sales record, and from it the postings are made direct to the Ledger.

Again, in Great Britain it is the practice to transcribe in full by hand the invoices for purchases in a record for the purpose, and a summary of the purchase record (in some cases the detail) is entered in the Journal, and from it posted to the Ledger. In most cases Ledger postings are to individual accounts to the credit of those from whom the purchases are made. In America it is a common practice to use the invoices received, pasted in a book arranged for the purpose, as the purchase record, from which the postings are made direct to the Ledger, one account only being kept in the Ledger to the credit of all such purchases. When payments are made the charges are entered against the one controlling account in the Ledger.

In many cases in America there is a voucher or purchase record which is used principally for making distribution to the various charge accounts for purchases, omitting the recording of the details of such purchases. The devices for this method vary, but the principle is generally followed. The tendency on the part of the American accountants is to make standard forms for invoices and vouchers so that the devices for providing permanent records in the offices where the invoices are issued will correspond with those for invoices received.

In this connection, it is worth while to note the common use by the American accountant of the so-called "check voucher" in corporation and other systems where the transactions are extensive. In one writing a brief summary is made of the account on a form which provides for the approval of the officers responsible for a purchase, and the signature of the treasurer or other officer responsible for the payment. This latter signature converts the paper into a cheque, and when received by the payee it is endorsed in the same way that a cheque is endorsed. When returned through the bank it becomes the permanent and only receipt, and finds its place in a file for the purpose. The British method provides for a cheque and a separate receipt.

It is obvious that these points of difference in the method of conducting the accounts affords a directness of work and facility and economy of time in the performance of the audit as well. While the British systems duplicate

and elaborate in these records they frequently do not carry the system of keeping Cost Accounts to a perfect balance with materials and supplies consumed, nor do they provide for keeping accounts of values and quantities of the various articles of materials and supplies kept in stock. This is the usual practice with American accountants. While some of the British authorities on cost-keeping advocate these principles, and they have been adopted in many cases, the plan, it seems, is far from being general among the accountants in Great Britain.

Besides Cost Accounts and system, the practice of accountancy, generally speaking, covers two other distinct classes of work—namely, auditing and special examinations. With respect to work in these fields most English accountants practising in the United States are, as a rule, reluctant to admit the existence of any superiority on this side of the Atlantic. But American accountants who are familiar with methods in Great Britain are quite positive in their opinion that the English accountant might learn much from us.

With respect to auditing, which is the main support of the profession at present, superiority is claimed for the American practice on two specifications: (1) The American audit is more expeditious; (2) it is broader in scope, and hence possesses greater administrative value.

In Great Britain, for example, there is a disposition to spend a vast amount of time in checking details of entries, such as comparing receipts or vouchers with the Cash Book entries, and checking postings from Cash Books, sales and purchase records to Journals, and from Journals to Ledgers. In America the audit is made more by a series of tests throughout the various books kept, for the purpose of proving the accuracy, with a definite proof only of the mathematical accuracy of the Trial Balance with the Ledger. There is also much attention given to the distribution of the accounts as between Permanent Assets, Property, Investments, &c., Materials and supplies, Current Assets, Accounts Receivable, Cash, &c., and charges to Operation, Income, and Profit and Loss Accounts on the one hand, and to Fixed Liabilities, Capital Shares, Bonds, Mortgages, &c., and Current Liabilities, Bills Payable, Accounts Payable, Reserves, and credits of Earnings, Revenue, Profits, Income and Profit and Loss Accounts on the other. Careful consideration is given to the composition of these accounts and their relation to one another to the end that they will express with definiteness the relation of one to the other and to actual conditions.

It could not be said that the British accountant does not give a certain degree of attention to the conditions, yet he does not give anything like the amount of attention to this feature that the American accountant does. The British accountant aims more especially at mathematical accuracy; the American accountant not only has the same aim and a less cumbersome method, but also aims to offer something of value for administrative purposes.

It might be argued that the American accountant who audits merely by making tests instead of checking everything in detail runs a risk that the professional accountant should not take. The answer to this is that in the ten or fifteen years' experience in this country the American accountants have suffered nothing on this account and have gained much in the development of their faculty of readily discovering things that should be brought to the attention of the client. When the mind is held for a long time upon routine details it tends to become more mechanical and less liable to detect irregularities than when the eye is upon general conditions, looking for misstatements and inconsistencies. When the tests bring to light the slightest thing pointing to an irregularity, either intentional or otherwise, everything that can possibly have any bearing upon the accounts is checked, examined, and inquired into.

Further, the reports of American accountants usually contain comments in regard to the condition of the accounts, notes on the administration—varying according to the conditions and the nature of the engagement in regard to such matters as would naturally come within the range of the accountant's judgment.

It could not be said that there are not American accountants who spend much time in details and who do not make comments on the accounts when the audit is completed, nor is it true that no British accountants take short cuts or make notes on their audits. When the British accountants do make notes, however, the notes for the most part are a repetition of what may be seen by looking at the Balance Sheet and accompanying schedules. The American accountants give a great deal of time to comparisons of the various Expense Accounts and Revenue Accounts, one year with another, examining in detail the causes of increases or decreases. These features are not only brought out in detail in comparative statements, but are commented upon for purposes of administration. The British accountants give comparatively little attention to these matters.

In making comparisons the American accountants have recently designed a plan by which the increases and decreases shall appear without showing the figures for the previous period. For example, the first column shows the operations for the current period, and the second column shows in red or black the decreases or the increases, respectively, as compared with the previous period.

Finally, it would appear that British accountants, in making special examination reports, do not deal with the

condition of affairs—fiscal, physical, and financial—in anything like the comprehensive manner that the American accountants usually do. It may be said that one reason for this is that the British accountant does not have as much of this class of work to do as does the American. In Great Britain business is in a more settled condition than here, and calls, therefore, for less extensive special examinations. The reports of the American accountants usually include data in regard to organisation, description of the property, duties and salaries of the officers, number and pay of the employees, markets for their products in the case of factories, and, in the case of railroads, the population tributary to the line, character of traffic, and the connections that are tributary. Such comprehensive reports with the British accountants are the exception.

Reviews.

William Paterson and the Darien Company.

By J. S. Barbour.

Edinburgh, 1907: Wm. Blackwood & Sons. Price 6s. net.

There is so little romance about the history of accountancy, even in its earliest stages, that one can hardly afford to neglect the romantic history of the connection of William Paterson with the Darien Company, which has been so ably, and albeit so accurately, told by Mr. Barbour in the volume now before us. Without pretending to give our readers a synopsis of this interesting volume, we may mention that Paterson was probably the originator and certainly one of the first Governors of the Bank of England. This volume, however, deals with his somewhat disastrous connection with the ill-fated Darien Company, which is told at some length, and with a most successful endeavour at combining historical accuracy with something of the romance that attended the three expeditions of this company to the Isthmus of Darien off the coast of Caledonia. Some full-page illustrations add to the completeness of the volume.

The Workmen's Compensation Act, 1906.

By A. F. O. Walbrook, Solicitor.

Published gratis by the Law Car and General Insurance Corporation, Lim., 4 St. Paul's Churchyard, E.C.

A number of volumes have been issued with the object of explaining the Workmen's Compensation Act, 1906, and many, of course, attempt this task upon a much more ambitious scale than the pamphlet before us, which may rather be regarded as a few handy notes for employers. At the same time, it is admirably arranged to summarise the law relating to the subject, so far as it can be summarised in its present admittedly uncertain stage, with a view, of course, of emphasising the point that its publishers are anxious to make—namely, the importance of employers guarding against the liabilities cast upon them by the Act by means of insurance. The case in favour of insurance requires, perhaps, no very lengthy argument, but it is at least convenient that it should be summarised and rendered thus readily available in concise form.

Personal.

Messrs. Camm, Metcalfe & Co., Chartered Accountants, have removed to Town Hall Chambers, 87 Fargate, Sheffield.

Mr. John H. Rogers, Chartered Accountant, of 128 Colmore Row, Birmingham, has taken into partnership Mr. Percy Harold Stone, who served his articles with him and has been his managing clerk for the last four years. The partnership will be carried on under the style of J. H. Rogers & Stone, Chartered Accountants.

Messrs. Chas. W. Rooke & Co., of Central House, 75 New Street, Birmingham, have taken in partnership, as regards their Birmingham business, Mr. W. J. Jennings, A.C.A., for ten years with Messrs. J. E. Pritchard & Co., 71 Colmore Row, and the style of their Birmingham firm will in future be Chas. W. Rooke, Jennings & Co. They will continue to practise at the above address as heretofore, while their London business will be continued at 46 Queen Victoria Street, E.C., by Mr. Chas. W. Rooke and Mr. John Skinner, as formerly.

Messrs. Smith & Earle, Chartered Accountants, announce that Mr. Alfred Laban, A.C.A., has entered into partnership with them. The style of the firm will remain unchanged. They have removed from 106 Wool Exchange, London, E.C., to 26 Shaftesbury Avenue, W.

Mr. A. E. Wright, Accountant, has removed from 131 Finsbury Pavement, London, E.C., to 93 Finsbury Pavement, E.C.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday May 3rd was 142, viz.:—

New Bankruptcy Proceedings published in the *London Gazette*, 77; Deeds of Arrangement registered, 65. The respective numbers in the corresponding week of last year were: Bankruptcies, 85; Deeds of Arrangement, 77—total, 162; being a decrease of 20. The total number of commercial failures recorded during the 18 weeks of the present year is 2,762; the total number recorded in the corresponding 18 weeks of last year was 2,992, showing a decrease of 230.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday May 3rd, was 170. The number in the corresponding week of last year was 156, showing an increase of 14. The total number filed during the 18 weeks of the present year is 2,753; the total number filed in the corresponding 18 weeks of last year was 2,757, showing a decrease of 4.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday May 3rd amounted to £3,752,160, by way of addition to £2,812,344, previously issued by the same companies. The amount registered in the corresponding week of last year was £939,332, showing an increase of £2,812,828. The total amount registered during the 18 weeks of the present year is £32,695,871 (in addition to the issues in previous years by the same companies), as compared with £29,391,865 for the corresponding 18 weeks in 1906, showing an increase of £3,304,006.

The Profession in Scotland.

Personal.

The firm of Fulton, Mitchell & Findlay, Chartered Accountants, 194 St. Vincent Street, Glasgow, of which J. Moore Fulton, Alexander Mitchell, and J. M. Findlay were sole partners, has been dissolved by mutual consent as at 23rd April. Messrs. Mitchell & Findlay will continue the business at the above address under the firm-name of Mitchell & Findlay.

The firm of Drynan, Fulton & Mitchell, Chartered Accountants, of Glasgow, of which J. Moore Fulton and Alexander Mitchell were sole partners, has been dissolved of mutual consent as at 19th October 1906.

Institute of Accountants and Actuaries in Glasgow.

At the usual quarterly meeting of the Institute of Accountants and Actuaries in Glasgow, held on the 30th ult., in the Hall, 218 St. Vincent Street, Glasgow, Mr. John Mann, Senr., in the chair, the following candidates, having passed the prescribed examination and having otherwise complied with the requirements of the Institute, were admitted as members, subject to the bye-laws, rules, and regulations:—William Herbert Anderson, at Messrs. Kerr, Anderson & McLeod; John F. Carson, at Messrs. Moores, Carson & Watson; John Crawford, at Messrs. Mackay, Leslie & Co.'s New York; Arthur Houston, at Messrs. Macfarlane, Hutton & Patrick; Peter W. Kinnaird, at Messrs. Grahams & Co.; Archibald W. F. Love, at Messrs. Fleming & Black; John M. Lyon, at Messrs. Reid & Mair; James B. McLeod, at Messrs. Wallace & Tannoch; Edgar C. Salvesen, Calcutta, formerly with Mr. S Easton Simmers.

Municipal Institute of Treasurers and Accountants.

A meeting of the Scottish branch of the Municipal Institute of Treasurers and Accountants was held in Leith Council Chambers on the 4th inst. The members were welcomed by Provost Mackie, who said he need hardly tell them how important it was that the financial side of municipal government should be kept up to the highest state of efficiency. This Association had done a great deal in order to bring that efficiency about. There had been great simplifications in the accounts of late years, and there was also one important point which even their honorary treasurers could not have time to look into. That was the question of borrowing—not only to borrow at the smallest rate of interest, but also to see that the Bank Account was kept in such a condition that the banker got as little for overdrafts as possible, because that was one of the most expensive ways of doing business in any shape. He dared say most of them could more than save their salary in giving attention to this important item. He might describe many of them as born financiers.

Mr. Paton, Edinburgh, replied on behalf of the members, remarking that the birth of the branch took place at Leith, and was the result of the work of Mr. Russell and Bailie Hall, Leith.

Scottish Insolvencies.

For the week ending 4th May the number of insolvencies reported in Scotland was 26, as compared with 20 in the

corresponding week of last year. The trust deeds numbered 12, as compared with 7; the sequestrations 4, as compared with 6; and the petitions for cessio 10, as compared with 7. The total number of insolvencies for the eighteen weeks of the year is 509, as compared with 476 in the corresponding period of last year—the trust deeds numbering 245 against 222, the sequestrations 94 against 116, and the petitions for cessio 170 against 138. Of the 12 trust deeds reported during the week, 7 were granted in favour of Chartered Accountants. No liquidations of limited liability companies were gazetted.

MR. W. BOURKE COCKRAN, at a lawyers' banquet in New York, says *The Central Law Journal*, deprecated long speeches. "He who makes short speeches," said Mr. Cockran, "will never find himself in the embarrassing position of a friend of mine last month. My friend, when a certain case of his was called, rose and pleaded in a husky voice for an adjournment. 'On what ground?' asked the Judge. 'Your honour,' was the reply, 'I have been making an address in another Court all the morning, and find myself completely exhausted.' 'Very well,' said the Judge; and he called the next case. Another counsel rose, and in his turn asked for an adjournment. 'Are you exhausted, too?' said the Judge. 'What have you been doing?' 'Your honour,' was the answer, 'I have been listening to my learned brother.'"

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Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
" 25th 1907	4%

The Chartered Accountants' Benevolent Association.

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The Accountant.

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS AND ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1693.] SATURDAY, MAY 18, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.

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Leading Articles.

The Duties of District Auditors.

THE recent decision of the Divisional Court of King's Bench on the appeal of the Westminster City Council against certain surcharges made on members of the Finance Committee and Highways Committee of the Council, and on the City Engineer, by the

District Auditor, raises a question of considerable public importance.

Shortly stated, the position in this case was that the District Auditor had made certain surcharges, not because payments were in themselves illegal, or had not in point of fact been made, but because, inasmuch as the lowest tender had not invariably been accepted, he claimed that there had been negligence upon the part of those responsible. The Divisional Court, however, held that there was no evidence of any such negligence, and therefore quashed the surcharges complained of.

It, of course, is beyond question that under certain circumstances the acceptance of a tender for supplies which is not the lowest tender—and *a fortiori* of a tender that was the highest—might represent little short of a public scandal; but even in the most extreme case we question whether the word "negligence" can be so twisted as to cover a deliberate act. Rather does the term imply some omission or neglect of a duty—that is to say, regarded strictly, negligence must, we think, invariably be negative in character. In cases where there is evidence that a local authority is deliberately, and perhaps even corruptly, wasting public moneys, it is arguable that it might be a good thing if the ratepayers could be protected by a power of surcharge vested in the District Auditor; but even here practical men will realise the difficulties that that official would experience in effectively discharging the responsibilities thus thrown upon him. Certainly, as the term "audit" is ordinarily understood among business men, it is not part of an auditor's duty to criticise the administrative capacity of the accounting parties; and it is very doubtful whether he would ever have before him, as the result of an audit, the information necessary to enable him to express any useful criticism upon a matter so remote from a mere examination of the accounts, although, of course, occasionally circumstances might come to his knowledge where the lack of skill or of ordinary business precautions might be self-evident.

But, however that may be, it is a far cry to assume, as the Westminster City Auditor appears to have assumed, that it is the duty of a Local Authority in all cases to accept the lowest tender, and that in the event of it not doing so it is guilty of negligence or misconduct. Speaking in quite general terms—and it is, of course, only possible for us to generalise here—it may, we think, be fairly stated that with public tenders it is most probable that the acceptance of the lowest tender, merely because it is the lowest, and without any further inquiry into the matter, would of itself be evidence of negligence from the ordinary commercial point of view, although probably not of such negligence as would justify the District Auditor in making a surcharge. It is only when tenders are invited from a limited number of contractors, whose responsibility, capacity, and financial standing are known to be satisfactory, that the lowest tender would even *primâ facie* be regarded as the most acceptable one; for it is a sound general rule that one who is carrying out a contract at a loss will, sooner or later, contrive to plant at least some portion of that loss upon the shoulders of his customer. There is, moreover, another aspect of the matter—namely, that it is not by any means always the most inexpensive article that is the cheapest in the long run. For certain

purposes, undoubtedly, the lowest-priced article is to be preferred, but for other purposes it is equally certain that it is to be eschewed; and it is conceivable—in at all events some few cases—that the acceptance of the highest tender may be the strongest possible evidence of sound business insight and attention to detail.

For these reasons we welcome the decision of the Divisional Court in the case named. We may mention, however, that it is satisfactory from yet another point of view—namely, that of the District Auditors themselves; for it would indeed be an intolerable burden to throw upon these officials the additional duty of having to accept responsibility for the financial expediency of all acts undertaken by the Local Authorities whose accounts they are called upon to check. Questions of administration and of finance must of necessity be left to those upon whom the duty of local government devolves. The function of the accounts is to adequately explain to those to whom the Local Authority is accountable—*i.e.*, the ratepayers—how these duties have been discharged; and the duty of an auditor is, we maintain, to satisfy himself that the accounts tell their story accurately and adequately. The ultimate control of affairs rests, of course, with the electorate, who are entitled to be made acquainted with all material facts through the medium of the accounts, and who are thus in a position to exercise their constitutional power through the medium of the ballot-box. If the powers of ratepayers were to be abrogated by officials in the pay of a Government Department, we might as well at once give up the system of local government altogether, and fall back upon the French system of local administration through the medium of a central bureaucracy.

The Society of Bookkeepers, Lim.

THE Secretary of the Society of Bookkeepers, Lim., a company recently incorporated with the liability of its members limited by guarantee, has forwarded to us for comment a copy of the syllabus for the current session. It states that the objects of the Society are *inter alia* to provide a central organisation for bookkeepers, and generally to elevate their status, to encourage a greater degree of efficiency in bookkeeping in commercial circles, to promote opportunities for intercourse among members, and to give facilities for the reading of papers and the delivery of lectures; to protect the mutual interests of members, to assist necessitous members and the wives and children of deceased members; and to assist members in obtaining employment. There will be three degrees of membership—Ordinary Members, Associates, and Fellows, entitled respectively to the qualifying initials "M.S.B.," "A.S.B.," and "F.S.B." The annual subscription in all cases is to be one guinea, while the entrance fee is 10s. 6d. for Ordinary Members, and one guinea for Associates and Fellows. Exemption from examination will, we understand, be entertained for a limited period in the case of applicants thoroughly qualified by experience and knowledge, and holding positions which, in the opinion of the Council, justify their election. The Council consists of three gentlemen, none of whom are known to us by name. The programme for the current session consists of three lectures (on the 18th ult., the 9th inst., and the 16th prox. respectively) on "The Principles of Practical Bookkeeping," "The Elements of Bankruptcy Procedure," and "Wasting Assets."

We have from time to time expressed the view that many useful purposes might be served by some form of Society for the co-operative association of commercial bookkeepers. We cannot help thinking, however, that such a Society, in order to be generally acceptable (bearing in mind the fact that bookkeepers—by reason of their calling—are not generally known to the public), might, with advantage, be initiated among the employees of two or three large commercial houses, as in that event it would from the outset be assured of a certain membership, while the names of those houses might very properly be regarded by bookkeepers generally as a guarantee that the undertaking was being launched upon the right lines. Indeed, it seems to us doubtful whether anything in the least representative of bookkeepers generally is ever likely to be achieved in any other way.

We cannot, however, avoid recalling that upon a previous occasion a Society was formed which, in the first instance, aimed at enrolling members from among the ranks of bookkeepers and teachers of bookkeeping, but which, by a process of easy stages, evolved itself into a so-called Institute of Accountants; thus directly competing with the Institute of Chartered Accountants in such a manner as to render confusion likely upon the part of the public, with the result that on the application of the Institute of Chartered Accountants the members of that body were restrained from so styling themselves. We do not, of course, make any such suggestions with regard to the intentions of the promoters of the Society of Bookkeepers, but we cannot refrain from pointing out that the Elements of Bankruptcy Procedure (the subject selected by the Secretary of the Society or his lecture of the 9th inst. (has nothing whatever to do with the education of bookkeepers, although it undoubtedly is a more or less important feature in the education of public accountants. The selection of this subject therefore calls for some explanation and assurances before we can feel altogether satisfied that the new company has not been formed with the object of adding yet another to the all too numerous societies of practising accountants who think that they may counterbalance their individual lack of professional qualifications by attaching imposing initials to their respective names.

If the Society of Bookkeepers has no objects in view other than those set forth upon its prospectus, it would undoubtedly be better for it to refrain from considering or discussing subjects that lie entirely outside the scope of a bookkeeper's duties. On the other hand, such a Society might serve many highly useful purposes by endeavouring to familiarise its members with modern methods, such as Card Ledgers, Loose-leaf Ledgers, manifold systems, and the like, which are steadily coming to the front, and which, therefore, should engage the earnest attention of all bookkeepers who wish to get on. Equally important is it that the Society should do nothing to arouse the hostility of professional accountants, for, were it to do so, its opportunities of assisting its members to obtain employment might be materially restricted in consequence.

"Local Authorities and their Finance."

IN our issue of the 6th ult. we reproduced a paper on "Local Authorities and their Finance," read at a recent meeting of the

Chartered Accountant Students Society of London, by Mr. T. H. CLARE, the City Treasurer of Birmingham. This paper may be regarded as being in a sense a continuation of that upon "Local Authorities and their Work," which was read by Mr. PERCY ASHLEY, M.A., at a meeting of the Society some twelve months' since, and duly reported in our issue of the 8th September last, and it is of especial value as presenting the problem of municipal finance in its practical aspect from the point of view of one of our ablest and best known City Treasurers. Mr. CLARE deals with his subject in a perfectly straightforward and non-partisan manner, and in consequence his views will be studied with considerable interest by all who are anxious to become acquainted with the problem from the inside point of view. At the same time it is, we think, only proper to add that while Birmingham is extremely fortunate in being served by so able and disinterested an official, who may be relied upon to keep its finances thoroughly up to the mark, it does not necessarily follow, and indeed it must not be assumed, that all other authorities are equally well served. That which the lecturer speaks of, or infers, as being customary, must, we think, be read in the somewhat narrower light of being customary at Birmingham, and no doubt at a few other equally well-favoured centres, but not as being of necessity the invariable practice of all local authorities. Thus, for instance, when the lecturer states that the income and expenditure of the trading undertakings of local authorities are dealt with precisely in the same manner as those of well-conducted public companies—with the exception of the fact that in all cases it is necessary for provision to be made for the liquidation of the loan debt within specified periods—it should not be overlooked that probably the majority of local authorities contend that they are not bound by rules and principles which are, or at all events should be, binding upon well-conducted companies, because their constitution is essentially different. Some local authorities undoubtedly do take the view that it is their duty to provide for the maintenance of fixed assets out of revenue, but others undoubtedly proceed upon the plan that it would be a betrayal of the ratepayers to charge anything against revenue which by hook or crook they could persuade the Local Government Board to allow them to borrow for. Thus, while it is no doubt the case that in thirty years or so the existing indebtedness of some local authorities will be reduced by at least 75 per cent., it seems equally safe to prophesy that, if existing methods are continued, there are other local authorities that may be confidently expected to maintain their outstanding loans permanently at the present figure, even if they be not increased by further capital commitments.

A very interesting section of Mr. CLARE's paper is that dealing with the repayment of debt, in which he shows that in general the borrowing authority is permitted a choice of four separate methods of provision for repayment—namely, by equal instalments of principal, by equal instalments of principal and interest combined, by the establishment of a Sinking Fund, and by the establishment of a Loan Fund. The precise distinction between the two last-named is, however, not very clearly stated. The point to be borne in mind is that it does not necessarily follow, because there is no Sinking Fund, there is no provision for the due repayment of debt. If, however, this be recognised, everything

that may be said with regard to the provision of a Sinking Fund will be found to apply *mutatis mutandis* to the other forms of provision for debt redemption. In these days there can be little doubt that issues of Stock are the most readily placed forms of loan, and are thus those most frequently employed, and in connection with these either a Sinking Fund or a Loan Fund becomes necessary. It is to be regretted that the lecturer did not think fit to mention a growing practice on the part of many local authorities of investing their Sinking Fund instalments in their own Stock—a system which from time to time has given rise to a good deal of controversy. Mr. CLARE's views upon this somewhat important topic would, we feel sure, have proved of considerable interest.

Another point which we should have been glad to see dealt with in the paper now before us is that which was raised by Mr. FRED. J. BECKETT in our issue of the 20th ult., as to the power of local authorities to raise rates to cover a deficiency on the working of a trading department caused not by its current payments exceeding its current receipts, but by charging current revenue with what is estimated to be a fair proportion of the cost of future renewals; whether such cost be computed upon the basis of providing all renewals out of revenue, or merely upon the basis, urged by Professor DICKSEE in his recent lecture as the minimum requirements of a local authority, of charging current revenue with its fair proportion of that cost of renewals for which it will be impossible to obtain additional borrowing powers. If Mr. CLARE can see his way to enlarge upon this point in our Correspondence columns, we are convinced that his contribution to the discussion will be greatly appreciated by our readers.

In other respects we think that this paper may be safely placed in the hands of an accountant student as an accurate statement of the general position of affairs, most clearly worded, and admirably concise. As such, it is entitled to the fullest commendation, and we congratulate the London Students' Society upon having been able to add so important and useful a paper to its Transactions.

Weekly Notes.

The Expenditure of Local Authorities. At a time when so many local authorities appear to be competing with each other with a view to securing a record of expenditure, it is, we think, deserving of comment that a record in the opposite direction appears to have been achieved by the Yarmouth (Isle of Wight) Parish Council, whose total expenditure for the year 1906-7 is stated to have amounted to £2 17s. 9d. In this connection it is perhaps legitimate to inquire whether a careful inquiry would not disclose the fact that the smaller the area covered by a local authority, the smaller *pro ratâ* was the amount of expenditure that it incurred.

The Value of Advertising. In the course of an action for damages for alleged wrongful dismissal, which came before Mr. Justice Grantham and a special jury last week, counsel stated that the expenditure of the defendants upon advertising had been cut down, with the result that business fell off, and he illustrated this by the following figures:—

Year	Expenditure upon Advertising	Profits
1880	£130	£264
1881	£244	£904
1882	£654	£1,683
1900	£180	£560

These figures would, of course, have been far more convincing had they related to four consecutive years, and had it been demonstrated that the decline in profits was solely due to a corresponding shrinkage of turnover, but, even as they stand, they are undoubtedly significant.

Deeds of Inspectorship. The advantages of a deed of inspectorship in connection with insolvent estates where the honesty of the debtor is beyond question, and the retention of his services for the

carrying on of the business seems desirable, are perhaps not so generally appreciated as would seem necessary in the interests of creditors. That they are capable of producing excellent results in the right hands is, however, shown by the facts that have recently come to our knowledge in connection with the winding-up of the estate of a provincial wholesale trader. In this case the debtor executed a deed of inspectorship in favour of a Chartered Accountant as inspector some three years' since, his unsecured creditors then amounting to £6,274. Within seven months the estate had been realised to a sufficient extent to admit of the payment of three dividends amounting together to 17s. 6d. in the £, but owing to local causes it was not until recently that the remainder of the estate could be disposed of to advantage. That, however, has now been done, with the eminently satisfactory result that a fourth dividend, of 2s. 6d. in the £, making twenty shillings in the £ in all, has been declared. The inspector has suggested to the creditors that in view of the fact that the debtor has been in business for upwards of forty years, during which time he has done an enormous turnover with his creditors, it would be fitting that they, or as many of them as thought fit, should make a complimentary and voluntary allowance to him of something between 5 per cent. and 10 per cent. on the amount of their original claims. It is not very often that creditors in such cases receive payment in full, and it thus seems not unlikely that the suggestion may find the creditors in a generous mood, which disposes them to assent to the proposition that an unfortunate debtor, out of whom enormous profits have been made in the past, is entitled to some little consideration at the close of his business career, even, and indeed *a fortiori*, when that close has been financially disastrous.

The Chartered Institute of Secretaries.

The annual dinner of the Chartered Institute of Secretaries was held at the Trocadero Restaurant, Piccadilly Circus, on the 3rd inst., Mr. J. Cecil Bull, the President, occupying the chair. Among those who supported him were Sir Frederick G. Banbury, Bart, M.P., Sir William Holland, M.P., Sir Ernest Clarke, Sir R. Melvill Beachcroft, Mr. Alderman and Sheriff Crosby, the Secretary of Lloyds, The Inspector-General in Bankruptcy, the Solicitor to the Board of Trade, the Clerks of the London County Council and the Metropolitan Asylums Board, and the Secretaries of the Institutes of Bankers, Mechanical Engineers, and Directors. In proposing the toast of the evening, "The Chartered Institute of Secretaries," Sir F. Banbury stated that the Institute, which was founded sixteen years ago, now comprised 3,300 members, and in the course of his response the President mentioned that although they had not yet their own building, they looked forward to the time in the near future when their resources would permit them to erect a hall and suitable premises as a home for their profession.

Bankruptcy Law Amendment Committee.

This Committee met on May 9th at the Royal Courts of Justice, Mr. Muir Mackenzie (the Chairman) presiding. Evidence was given by a number of witnesses representing the Hire Traders' Protection Association, and also other associations and important commercial houses and companies who deal on the hire-purchase system, on the question referred to the Committee whether hire agreements and hire-purchase agreements of goods and chattels ought to be subject to provisions for registration similar to those in force with respect to bills of sale.

Cash "Checks" on Steamships.

It is reported that the White Star Steamship Company has established a system by which passengers on its vessels can purchase cash checks for any amounts from 10 to 500 dollars. The tokens are honoured on presentation by the purchaser either on board ship or at any of the company's agencies. We understand that they are sold in books, and are of much convenience to passengers, inasmuch as they obviate the necessity of carrying a large quantity of coin about. Someone has asked whether the use of these checks is not an infringement of the English law, and *The Solicitors' Journal* points out that by the Bank Charter Act, 1844, no person other than a bank can make or use "bank notes" (which has been interpreted as including all bills or notes for the payment of money to the bearer on demand) in any part of the United Kingdom. It assumes, therefore, that the issue of such notes is an indictable offence, and upon proof that it has been committed in British ships on the high seas it might be brought within the jurisdiction of our Criminal Court. The question of the Stamp Acts is not discussed, as the Inland Revenue authorities are said to be ever watchful with regard to any evasion of

the payment of duty, and may be trusted not to sleep upon their rights. We should like to add an additional question, namely, as to whether the vessels of the White Star Steamship Company are British ships.

Bookkeeping and the Bar. *The Solicitors' Journal* remarks that England is a mercantile nation, and the young barrister has often occasion to regret that the education which he has received did not include a sufficient knowledge of bookkeeping and accounts. It retails Mr. Edwin Waterhouse's story of a case in his experience, in which a learned K.C., who was acting as arbitrator, was unable, after a two days' sitting, during which he had had the benefit of the arguments placed before him by counsel on either side, to satisfactorily solve the problem before him. Turning, however, to the Agreement of Reference, he found that he was allowed to state how certain disputes should be settled, and in his award he accordingly directed that these matters should be settled by a Chartered Accountant. The points were put before Mr. Waterhouse, whose knowledge of bookkeeping and accounts was such as to enable him to arrive at a result which he said was satisfactory to himself, and equally unsatisfactory to both parties to the dispute. Our contemporary says that Mr. Waterhouse evidently considers dissatisfaction of the parties a test of the justice of the award, but there are cases on record in which an award has actually satisfied both parties, and brought about a reconciliation between them.

The Budget. Mr. Asquith's fiscal effort seems to have engendered quite a profuse crop of explanations and complaints with regard to the proposed change in the manner of assessing income-tax. Mr. T. Hallett Fry is prominently in the field with a series of articles in *The Financial Times*, in the first of which he deals with the question of earned and unearned income. He says the distinguishing line between earned and unearned income is not nearly so hard to find as so many persons imagine, and that the agitation which is being worked up at present is based upon a few so-called hard cases. Mr. Fry's argument is hardly worth repeating, for it cannot be said to be very sound, and instead of confining himself to criticism or explanation of impending changes, he goes out of his way to make suggestions to the Chancellor of the Exchequer which have not the smallest possible chance of being acted upon, for some considerable time at any rate. His method of defining earned and unearned income is of a Spartan-like character, and he does not appear to understand the method in which the Inland Revenue authorities may be expected to go to work. We quite agree with him that the annuity grievance is one to which Mr. Asquith might well turn attention, but as regards his other theories we regret to say we do not accept his views. Then there is the suggestion with regard to the formation of an Income Tax Reform and Reduction League, but this at present is hardly ripe for discussion. In addition to this, there was a question in the House of Commons by Lord Balcarres in connection with the average system, which elicited the reply that the period over which the average is taken is three years for most trading concerns, and is extended to five years only in the case of mines. Mr. Asquith also explained that he proposed to levy income-tax at the unearned rate on interest on money formerly earned by the personal exertion of the income-tax payer. Another press campaigner—namely, Mr. H. Wilfrid Plumridge—advances the theory that all great political economists are against graduated taxation. He says the sum required for that part of national expenditure which is necessary to protect the public against various risks to property ought to be raised, not by a graduated but by a definite percentage tax levied on income and on accumulated wealth. He considers the wealth of the subject to be in no way connected with the matter, for he argues that the millionaire and the workman are both charged exactly the same for a loaf of bread or a 'bus ride, and, in his opinion, if the State once ignored this law, its position could best be compared to that of a rudderless ship on an unknown sea.

Assorted Accountants. *The Financial News* informs us of the registration of a National Federation of Accountants, and we are told that the public pays its money and takes its choice from a large and varied assortment of professional skill. There are, it is said, Chartered Accountants, Federated Accountants, Enrolled Accountants, Corporate Accountants, Incorporated Accountants, Certified Accountants, and Public Accountants, so that some little degree of bewilderment on the part of the public may be pardoned. It is fortunate perhaps that under these circumstances there is so little doubt as to the direction in which qualified ability lies. The same journal writes that a Birmingham circulariser describes himself as "C.A.," and our con-

temporary understands that although these letters generally convey the meaning of "Chartered Accountant," the person in question is not Chartered, as he explains in answer to inquiries, but he is a self-styled "Corporate Accountant."

The Elements of Bankruptcy Procedure. Respecting the paper on the above subject, read before the Institute of Bookkeepers by Mr. T. Mackworth Lucas (to which reference is made in our leading article on the Institute of Bookkeepers), we gather the lecturer advocated the raising of the fees payable in respect of the presentation of a bankruptcy petition by a creditor in the case of estates showing a small deficiency compared with the total unsecured liabilities. In his opinion this course would result in an increase of insolvency being transacted under the Deeds of Arrangement Act, which, as experience has shown, requires amending in order to bind the minority to the wishes of the majority. If Mr. Lucas has been correctly reported, it only shows that his knowledge of the official position is extremely elementary, for it is not likely that under any scheme of legislation the working of the Deeds of Arrangement Act would be in any way facilitated, especially if the only means towards that end that he can suggest is the raising of the fees in connection with a bankruptcy petition!

Warrington Corporation Accounts. At a recent meeting of the Warrington Town Council it was announced that there would be a reduction of 4d. in the £ in the rates, making the rate for 1907-8 one of 7s. in the £. Even at this reduced figure we do not see any very remarkable cause for congratulation, but when it is borne in mind that in 1904-5 the rates of Warrington amounted to 7s. 10d. in the £, perhaps the inhabitants of Warrington have reason to feel grateful. Simultaneously, and presumably to some extent in consequence of it, a proposal to appoint a professional auditor of the Corporation's accounts has been withdrawn. Without pretending to have any inside information as to the facts, we may say that we regard the coincidence, if it be nothing more than a coincidence, as significant. If the rates can be legitimately reduced as a result of increased profits of trading departments, or a reduction of expenditure in spending departments, it would surely be an additional source of satisfaction to know that the accounts were able to pass the scrutiny of a professional auditor. The withdrawal of the proposal after it has once been made suggests that an independent examination of the accounts might possibly reveal that the reduction of rates was not justified by the facts.

The Business of the Courts. It is announced that the Lord Chancellor has decided to proceed with his Bill for the reconstitution of the Court of Appeal in spite of the opposition which the proposed measure has aroused in well-informed circles. It will be remembered that the Bill proposes, with the consent of the Lord Chancellor, to allow a Court of Appeal to consist of two instead of three Judges, thus permitting the Court to sit in three Divisions simultaneously. The objection to this measure is, of course, that, in the event of the two Judges differing, no judgment satisfactory to litigants can be delivered, with the result that appeals to the House of Lords are likely to increase, and thus litigation will be increased, and arrears will in all probability still further accumulate. This accumulation of arrears seems likely to be emphasised by the Criminal Appeal Bill, which proposes the establishment of a permanent Court of Criminal Appeal, to consist of the Lord Chief Justice and six King's Bench Judges nominated by him. When it is borne in mind that there are many occasions upon which less than seven Judges are sitting in London simultaneously, one is tempted to wonder how it is proposed to get through the ordinary business of the King's Bench Division if practically the whole *personnel* is to be taken off its legitimate work for the purpose of trying criminal appeals, which in all probability will become extremely numerous.

Trustee Securities. A recent issue of *The Law Journal* contains an interesting article on Trustee Securities, based upon eight representative Stocks. It is stated that at the end of March last the average price of these Stocks was 99⅜, and the average yield per cent. £3 10s. 5d. In March 1906 the average price was 105⅝, and the average yield £3 6s. 3d. per cent., while by way of comparison it is pointed out that at the end of March 1899 the average yield was £2 16s. 3d. per cent. only. It will thus be seen that the rate of interest to be derived from trustee securities has increased nearly ¾ per cent. in the past eight years.

The selection of Stocks taken by our contemporary may fairly be regarded as representative in a sense, but bearing in mind the very large proportion of trustee investments in Consols, it may be questioned whether these figures really fully indicate the altered conditions that have been brought about. In 1899 Consols stood at 110⅝, and yielded £2 os. 6d. per cent. At the end of March last they stood at 85⅝, yielding £2 18s. 3d. per cent. Thus, in spite of the reduction in the rate of interest, the increase in the yield exceeds ⅞ths per cent. Whether, however, it may reasonably be concluded from these data that 3½ per cent. is a fair rate of income to be expected for the future from trustee securities is perhaps a somewhat debatable question.

What is a Prospectus? The case of *Sherwell v. The Combined Incandescent Mantle Syndicate, Lim., and its Directors* came before Mr. Justice Warrington on the 26th ult., when an important question as to whether a prospectus marked "Private and confidential" was a prospectus within the meaning of the Companies Act, 1900. In this case it appeared that the syndicate was formed by a few persons with the object of securing an option on certain patents to be acquired by a company, and that a prospectus was prepared of which 1,000 copies were printed, headed "Strictly private and confidential. Not for publication." His Lordship held that the intention was that persons interested in the syndicate might show this prospectus to their friends with a view to obtaining subscriptions for shares. In his opinion this was not an invitation to the public to subscribe for shares within the meaning of the Act, and, accordingly, he refused the motion asked for to restrain the defendants from drawing on an account at the London and County Bank, and the bank from parting with the money subscribed by the plaintiff. We know nothing whatever of the merits of the case in question, but it seems to us a contradiction in terms to find that there has been a prospectus issued, and that there has been no invitation to the public. Surely for these purposes "the public" means all persons other than the existing members of the company. If, however, his Lordship's decision be allowed to stand, it seems to knock the bottom out of the argument that has been so confidently put forward in certain quarters, that it is practically impossible to arrange for the underwriting of the issue of the capital of a reconstructed company.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

BANKRUPTCIES AND INSOLVENCIES.

In re a Debtor; ex parte The Petitioning Creditor and the Debtor. Bigham, J.

On a report from the Registrar made to the Judge on the refusal of a person subpœnaed to give evidence before the Registrar to be sworn and give such evidence on the hearing of a bankruptcy petition, held that the various objections raised by the respondent were insufficient. Order for committal made, and directed to lie in the office for fourteen days. (The full report, containing particulars of the objections, should be studied.—(*Times*, May 14.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Breweries and Income Tax—The Compensation Charge.

(*To the Editor of The Accountant.*)

SIR,—Your readers may be interested to know that the Commissioners allowed my appeal on behalf of the Camden Brewery Company. The Lion Brewery Company was also successful. I have not heard of any unsuccessful appeal, and therefore hope we may take it that brewery companies may now charge this in their accounts for assessments, Schedule D.

Yours truly,

DANIEL HILL.

London, 13th May 1907.

Depreciation.

(To the Editor of The Accountant.)

SIR,—There are two letters in recent issues on this subject—namely, by Mr. Lawrence R. Dicksee and Mr. P. D. Leake—both of which suggest a reference to a paper read by Mr. Robert Hammond, M.I.E.E., entitled "Depreciation of Machinery" (Electric). I enclose a report on it, which appeared in *The Standard* of the 2nd inst.

Yours faithfully,

HERBERT A. COX.

London, May 10th 1907.

DEPRECIATION OF MACHINERY.

A most useful purpose has been served in bringing forward for discussion before the Institution of Electrical Engineers on Thursday last the subject of the Depreciation of Machinery and the manner in which it should be treated in accounts. Much uncertainty has hitherto prevailed as to the way in which the question should be dealt with, and consequently it has been difficult to make comparisons of the results achieved by various undertakings.

The author stated that in arriving at the net profits earned during any given period by an industrial undertaking, it was obvious that a determination should be made of the extent to which the assets of the undertaking had depreciated in value during that period. Where machinery and apparatus were employed, it was necessary to estimate their probable "life," which, in the case of undertakings working on well established lines, may be easily arrived at.

Having fixed a definite figure for the life, the sum which is equivalent to the annual depreciation of the machinery and apparatus may be written off annually and debited to the gross profits, this book entry involving no withdrawal of money from the undertaking; or out of the gross profits annual investments may be made of such sums as will, at compound interest, reach the amount of the original cost of the machinery and apparatus by the time that they are worn out.

The object of the present paper was to invite the members of the Institution to consider the question of depreciation in all its bearings as applicable to electricity supply undertakings, in the hope that some definite conclusion may be arrived at as to the proper provision which should be made in the case of undertakings owned whether by companies or by local authorities. The word "depreciation" was used in a wide sense, and it was desired to include in the inquiry not only the consideration of the provision which should be made to cover the depreciation in value of the assets of an undertaking, but also as to what other charges beyond the ordinary working costs should be debited to the Revenue Account before arriving at the net profits of the undertaking.

Following these lines, the first item to be considered was the question of depreciation proper, then the advisability of creating a Reserve Fund to provide for unforeseen expenses which may be incurred, owing to accident or other emergency, and, lastly, the provision of a further fund to cover antiquation of machinery, apparatus, and mains, thereby preparing for the possible necessity of scrapping machinery, &c., which may be in good working order, but which may have become obsolete owing to improvements introduced in methods of generation and distribution.

In the case of undertakings owned by companies, the consideration of these questions resolved itself merely into what should be the amount of the provision to be set aside annually from the gross profits in connection with the above items. In the case of undertakings owned by local authorities, on the other hand, not only was it necessary to consider the amount to be provided under the three heads of depreciation, extraordinary emergencies, and antiquation, but a more controversial point arises, viz., the effect of the peculiar financial basis on which such undertakings rest, upon the necessity for these provisions.

The difficulty that the life of machinery so largely depends upon the way in which it is maintained, that a definite period, at which any particular class of machinery or apparatus would in the ordinary course be entirely worked out, can hardly be taken as of universal application. On the basis, however, that all plant would be carefully maintained and faulty parts renewed out of revenue, it is suggested that the periods named below represent a fair approximation of the life of the various classes of machinery and apparatus, &c., named:—

	Years.
Land and buildings	60
Machinery and plant:—	
Boilers	20
Pumps and pipework	25
Conveyors	10
Engines	25
Turbines	20
Dynamos and alternators	25
Motors	20
Tools and sundries	10
Accumulators	15
Transformers, static	15
Converters, rotary	20
Switching apparatus and instruments	20
Meters	10
Mains:—	
Armoured	25
Solid system	30
Ducts	30

Depreciation.

(To the Editor of The Accountant.)

SIR,—I am unwilling to intrude myself again upon your good nature, but I perceive in your last edition a letter from Mr. George Swainson in which he unwittingly does me an injustice. I have always contended strenuously that the only proper person to allocate depreciation upon machinery and plant is an expert engineer. From this it will be seen that I am, and always have been, in accord with Mr. Swainson. I did not think it necessary to put letters behind my name showing my qualifications for this work, but when I state that I have personally valued upwards of fifty millions sterling of works, plant, and machinery, Mr. Swainson will doubtless concede that I do not speak without having had some experience in such matters. I regret that my reply to Mr. Swainson's comments were somewhat of self-advertisement, but I think all will admit that the daily practice of an ordinary auctioneer and valuer scarcely qualifies such an one to express an opinion upon depreciation upon costly plant and machinery: here, again, it will be seen I am in agreement with Mr. Swainson.

I would like to add, with your permission, that no expert, however clever, can fix a rate which shall last over a long period of years, and the more expert he is, the less disposed will he be to fix a lengthy period.

With thanks for your courtesy,

I am, dear Sir, faithfully yours,

HY. SHERLEY-PRICE, M.I.Mech.E., M.I.E.E.

London, 13th May 1907.

F.C.A. and A.C.A.

(To the Editor of The Accountant.)

SIR,—With regard to Mr. Hamilton's suggestion at the annual meeting of the Institute that the F.C.A. and A.C.A. distinction should be abolished, and your criticism in last week's *Accountant*, I notice you base your argument, quite correctly, on the financial aspect.

When all is said, the whole thing resolves itself into a question whether a member considers it worth while paying two guineas for the right of substituting the letter "F" for the letter "A" after his name on the rare occasions he wishes to use these initials.

The Fellow has no rights which the Associate has not got, and the 1,591 Associates in practice are as well equipped professionally as the 841 Fellows.

I doubt whether the Associates in practice consider it a grievance that after five years they cannot use the "F" without paying two guineas annually. I know I don't, because under the present regulations it confers no distinction, and I take it that the bulk of the other Associates think likewise, or they would become Fellows.

You ask what gain would result from the direct loss of £1,500 on the abolition of the "Fellows" fees. May I ask what gain results from the collection of these fees?

I suppose at the end of this year we shall have an accumulated fund of £70,000. Is it necessary to go on piling it up at the rate of £3,000 per year? Are there any circumstances which may arise in the future which could not be successfully overcome by the application of the proceeds of our present investments, amounting to £23,000?

If it is desired to keep the letters F.C.A. and A.C.A., let them be kept, but let the A.C.A., on the completion of his five years practice, become an F.C.A. automatically.

Yours faithfully,

C. EDGAR FINNEY,

Liverpool, 13th May 1907.

Income Tax.

(To the Editor of The Accountant.)

SIR,—I cannot help thinking that your correspondent Mr. T. Hallett Fry takes a rather one-sided view of the abolition of the 133rd Section. Like a good many more things which may be found amongst the Income Tax Acts it may be described as an anomaly, but I suppose on account of its being in favour of the taxpayer, and perhaps little understood by the general public, it has never been described as such. Under the operation of the three years' average it is difficult to see any unfairness in the trader having, so to speak, to take the "ups and downs" of his profits. Of course, I am not forgetting that the concession was adopted to meet the case of a falling income; but even in these bad times there are incomes that occasionally increase. and if a person is to be allowed to claim a re-adjustment of his assessment when his profits are falling, why should he not be called on to submit to a re-assessment when they are rising? Where is the difference in principle, always supposing the three years' average to be maintained?

It is interesting to notice the result if we reverse Mr. Fry's figures as given in his example. Say the taxpayer's profits are £1,000, £3,000, £5,000, and £10,000, for four years' respectively. The average return for three years (leaving out the fourth) would be £3,000, and on this assessment the trader would be paying tax at the time when his current profits were amounting to £10,000 a year.

A re-adjustment of his assessment would result in an average of £6,000. Now, I scarcely think that Mr. Fry, or anyone else, would advocate that tax should be paid on an additional £3,000, and unless it can be proved that diminishing profits never recover themselves, I fail to see any injustice or unfairness in the abolition of the section in question.

Yours faithfully,

SAMUEL WM. FLINT.

London, May 14th 1907.

English v. American Accountancy Practice.

(To the Editor of The Accountant.)

SIR,—No one who has had experience of the assertiveness of the American press will attach too much importance to the article on the methods of the English and American professional accountants, which has appeared in the New York *Journal of Accountancy*. It is a matter for regret that a professional journal should deem it necessary to make such presumptuous claims on behalf of the accountants in a particular country. None of us, I suppose, would claim to be perfect, and it may well be that an occasional study of American methods will give us information of value. We, in return, will willingly give them the benefit of our experience. I do not think many American accountants of any professional standing will confirm the suggestion made by the New York journal of the inherent superiority of their systems of bookkeeping and cost keeping. Their corporate accounting is simply in a deplorable state. Scarcely a city of any size is modern in its methods. And either from lack of accountancy or lack of auditing, it is notorious that the failure of banks and the internal corruption in insurance offices have long been a disgrace to the States. Those of us who have had to wade through a Bank Pass Book made up by an American bank, and who have noted its average untidiness and jumble of figures, would not have any other thought than that "order is *not* Heaven's first law" with them. And those who have seen, as I have myself more than once in recent years, the doors of banks closed, with angry depositors clamouring round, and the Comptrollers of the State Audit Department engaged for weeks getting out a statement of the position which should (and would in England) have been out in a couple of days, will not want to hear too much just yet of the superiority of American accountancy. But no one is too old, or need be, to learn. And I agree with one point the writer makes. There is a danger lest English accountants should attach too much importance to detail, which, in itself, is not of service. I agree that in any large concern the audit should minimise detail checking. In so far as time is spent on ticking every item, the audit is a failure in method. Proper internal balancing, due separation of duties, should leave the auditor time to think more, not about what is *in* the books, but what is *not* in, so to speak. Errors of *commission* are dangerous, but fraud is usually an act of *omission* somewhere.

So, too, with regard to Ledgers for purchases. Few American houses of any size use them. Payments are posted direct to the Nominal Accounts. Outstandings are added at balancing periods and the charge for the period completed. The card and index system gives instant reference to any creditor's account, and it is the invoices themselves which are to hand at once. I admire the facility of reference and the absence of useless Ledgers. Why *do* we stick to tradition so?

In England, few corporations bother with a Purchase Ledger. Bolton, for instance, has large trade undertakings. Yet there is no Personal Ledger about the place for purchases, with a corresponding saving of labour.

We will take the chiding of our American press friends with due deference and a large "trade discount"; and while admitting ourselves not above criticism, we may charitably trust that they will not suffer through too much wisdom.

Yours truly,

ALFRED PILLING.

Bolton, May 14th 1907.

The Institute of Chartered Accountants in England and Wales.

The following is a list of applicants admitted at the Council meeting, held on the 1st May 1907, who completed their membership before the 16th inst.:—

Former Member re-admitted to Membership as an Associate.

Cridland, Frederick Henry, 1 Grosvenor Chambers, Bournemouth.

Associates elected Fellows.

Durant, Emmanuel Louis James, 152 Fenchurch Street, E.C.

Pepper, Herbert Alfred (Herbert Pepper & Rudland), 14 Temple Street, Birmingham; and at Walsall.

Riches, Frederick John (Fred. W. Smith & Co.), 113 Wool Exchange, 24 & 26 Basinghall Street, E.C.

Smith, Charles Herbert (C. Herbert Smith & Co.), 82 Colmore Row, Birmingham.

Walbank, John Arthur (John A. Walbank & Co.), 34 Grey Street, Newcastle-upon-Tyne.

Admitted as Associate in Practice.

Greenwood, Harold, 29 Tyrrel Street, Bradford.

Admitted as Associates not in Practice.

Cross, John George, clerk to Monkhouse, Stoneham & Co., 695 Salisbury House, London Wall, E.C.

Freame-Baker, Robert, clerk to Short & Compton, Bush Lane House, Cannon Street, E.C.

Garland, John Ash, clerk to Harrison, West, Ledsam & Co., 16 Waterloo Street, Birmingham.

Greenslade, William Henry Walter, clerk to Jackson, Pixley, Browning, Husey & Co., 58 Coleman Street, E.C.

Heath, Frederick Seward, clerk to Bland, Carryer & McAlpin, St. Martin's, Leicester.

Lees, Reginald, clerk to Harold Sadler & Stucliffe, 7 Victoria Street, Liverpool.

Phipp, Daniel William Hyatt, clerk to E. I. Saywell, Brougham Chambers, Wheeler Gate, Nottingham.

Rowlatt, Thomas Ernest, clerk to W. B. Peat & Co., 11 Ironmonger Lane, E.C.

Sharp, Robert Colombo, clerk to James Watson & Son, Devonshire Buildings, Carlisle.

Ware, Charles Edward Stancomb, clerk to Cooper Brothers & Co., 14 George Street, Mansion House, E.C.

Weatherly, Hugh Christopher, clerk to Goodricke, Cotman & Co., Moorgate Station Chambers, E.C.

The Chartered Accountant Students Society of London.

"A Summary of the Principal Legal Decisions Affecting Auditors."

By H. G. Cocke, A.C.A.

A paper read before the Chartered Accountant Students Society of London on February 20th.

The importance of a knowledge of the decisions which have been given by the Courts from time to time affecting auditors is, I think, beyond question. The decisions are obviously of no little importance to the Auditor himself—that is, to the Chartered Accountant in practice—in that they define his position, and, in some degree, lay down the extent of his duties and of his liabilities.

But although the summary of these decisions, which forms the subject of this paper, may not be without some value to the practitioner, yet, having been honoured with an invitation to read a paper before this Society—the Chartered Accountant Students Society of London—my chief object has been to select a subject of value to my audience of students, rather than one suitable only for an audience of qualified men.

My reasons for selecting this subject as one likely to be of practical utility to my audience were twofold. In the first place, it will, I think, be admitted that it is very essential that every candidate sitting down to answer his Auditing paper at the Institute Examinations—and especially his Final Auditing paper—should be familiar with the general principles underlying the most important legal decisions affecting auditors. In the second place, as far as I am aware, the only way of obtaining this knowledge is by reading through lengthy reports—some perhaps covering many pages—of the various cases; and although for some reasons this is preferable to relying on a brief summary of each case, such as I shall give, the expenditure of time required to do this is very considerable, with a result that, within my experience, it is the exception rather than the rule for students to acquire any real knowledge of these cases at all.

Before proceeding to give you the summary of these cases which I have prepared, I should like to say that I shall not attempt in this paper to in any way discuss the various decisions, nor to compare them *inter se*. This would be impossible in the time at my disposal. I shall simply take, in order of date, what I believe to be the most important decisions from an auditor's point of view, and,

after briefly citing the facts, I shall read any quotations from the judgment which I deem of special importance.

The case of *Lee v. Neuchâtel Asphalte Co., Lim.* (*Acct.* L.R. 1889, p. 26; Dicksee's "Auditing," 6th Edition, pp. 614-621).

This case was decided in the Court of Appeal on the 9th of February 1889, when it was held that a company, if allowed by its articles of association, may provide for the distribution of profits arrived at before making good the depreciation of fixed assets.

Briefly, the facts of the case were these:—The action was brought by a Mr. Lee, on behalf of himself and all the ordinary shareholders of the Neuchâtel Asphalte Co., Lim., against the company and the directors. The object of the action was to restrain the payment of a dividend proposed to be declared, because, as the plaintiff contended, proper provision had not been made for depreciation in respect of the wasting nature of the property. The assets of the company consisted chiefly of a concession to work a quarry, and other subsidiary rights taken over from previously existing companies, for which fully-paid shares in the respondent company had been allotted in payment. The accounts for the year ended 31st December 1885 showed an excess of receipts over expenditure to the amount of £17,140 13s. 2d., out of which, after setting aside a sum of £1,000, in partial recoupment of a sum of £8,000 paid in 1878 for the renewal of the concession, it was recommended by the directors, and resolved by a majority of the shareholders, that a dividend on the preferred shares at the rate of 9s. per share should be paid.

The Court dismissed the appeal, refusing to grant an injunction to restrain the proposed dividend being paid.

Lord Justice Cotton, in the course of his judgment, said that in his opinion "it was not necessary that the directors "should set apart each year a sum to answer the supposed "annual diminution of this property by reason of its "wasting nature," and that, "having regard to the nature "and constitution of this mercantile company, he was not "satisfied that a proper provision had not been made for "depreciation by the establishment of a reserve fund, and "considered that it would be wrong for the Court to inter-"fere to prevent the payment of the proposed dividend."

Lord Justice Lindley, in the course of his judgment, said, "It has been very judiciously and properly left to the com-"mercial world to settle how the accounts are to be kept "The Acts do not say what expenses are to be charged to "Capital Account and what to Revenue Account. Such "matters were left to the shareholders; they may or may "not have a sinking fund or depreciation fund, the articles "may or may not contain regulations on these matters; "if they do, the regulations must be observed; if they do "not, the shareholders can do as they like, so long as they "do not misapply their capital. In this case one of the "articles provides that the directors shall not be bound to "reserve moneys for the renewal or replacing of any lease "or of the company's interest in any property or con-"cession." . . . "But if a company is formed to acquire "or work property of a wasting nature—*e.g.*, a mine, "quarry, or patent—the capital expended in acquiring the "property may be regarded as sunk and gone, and if the "company retains assets sufficient to pay its debts, any "excess of money obtained by working the property over "the cost of working it may be divided among the share-"holders; and this is true, although some portion of the "property itself is sold, and in one sense the capital is "thereby diminished. If it be said that such a course "involves payment of dividends out of capital, the answer "is that the Acts nowhere prohibit such a payment as is "here supposed." . . . "In the present case the articles "say there need be no sinking fund; consequently, capital "lost need not be replaced; nor, having regard to these "articles, need any loss of capital by removal of bituminous "earth appear in the Profit and Loss Account of the work-"ing of the company's property."

Lord Justice Lopes, in his judgment, referred to the article providing that the directors should not be bound to reserve moneys for the renewal or replacing of any lease or of the company's interest in any property or concession, and proceeded:—"Unless this article is *ultra vires* no ques-"tion arises. Is the article *ultra vires?* I know of no "obligation imposed by law or statute to create a reserve "fund out of revenue to recoup the wasting nature of "capital. Subject to any provision to the contrary con-"tained in the articles, I believe the disposition of the "revenue is entirely in the hands and under the control of "the company."

The case of *Bolton v. The Natal Land and Colonisation Co., Lim.* (92 L.T. Rep. 109; Dicksee's "Auditing," 6th Edition, pp. 621 and 622).

This case was decided before Mr. Justice Romer in the Chancery Division on the 8th, 9th, and 10th of December 1891.

In 1882 the company in question, under peculiar circumstances, debited their Profit and Loss Account with £70,000 in writing off a certain bad debt, and, *per contra*, credited the same Profit and Loss Account with a sum of nearly £70,000 in respect of an increase in value attributed to their lands in South Africa above and beyond the cost price at which such lands previously stood in the books, the result being to make the profit and loss practically

balance each other upon the year's accounts. The company having subsequently earned a working profit, declared a dividend thereout, in respect of the year 1885. Thereupon the plaintiff, in an action commenced in 1886 to restrain the payment of such dividend, contended that at the time the value of the lands was written up in 1882 they were valued, and now stood, at an amount considerably exceeding their true value, and that, before a profit could be deemed to have been made which would be properly available for the payment of a dividend, the lands in question must be written down to their true value, and the difference debited to Profit and Loss Account in the same way as the supposed increase had been credited to Profit and Loss Account for the year 1882.

It was held by Mr. Justice Romer that, assuming that a part of the capital had in fact been lost, and not subsequently made good, no sufficient ground was thereby afforded for restraining the payment of the dividend; that the fact of the company having written up the value of their land in 1882, and credited the increase to the profit of that year in the manner described, did not place them under any obligation to bring into account in every subsequent year the increase or decrease in the value of their lands; and that, having regard to the case of *Lee v. Neuchâtel Asphalte Co., Lim.*, it was not correct, in estimating the profits of a year, to take into account the increase or decrease in the value of the capital assets of the company.

The case of *Lubbock v. The British Bank of South America, Lim.* (*Acct.* L.R. 1892, p. 56; Dicksee's "Auditing," 6th Edition, pp. 622-624).

This case was decided before Mr. Justice Chitty, in the Chancery Division, on 1st April 1892, when it was held that if a company's articles of association so provide a profit made on the sale of a part of the undertaking is available for dividend.

The case was a motion by the plaintiff on behalf of himself and all the other shareholders of the defendant company to restrain the company from acting upon or carrying into effect a resolution passed by the directors of the company placing a sum of £205,000 to the credit of the Profit and Loss Account, and from dealing with or distributing the same as if it were the income of the company. The £205,000 in question was a realised profit made by the company on the sale of a part of its undertaking to another concern. The action was a friendly one, both parties being desirous of obtaining the opinion of the Court.

It was held by Mr. Justice Chitty that the £205,000 was plainly profit on capital, and not part of the capital itself, for that sum was the surplus ascertained on the assets' side after the liabilities and capital were placed on one side of the account and the assets on the other. Under the articles of the company the directors were justified in carrying over the £205,000 to a Profit and Loss Account, and having appropriated to the reserve fund so much of the sum as they thought fit they could distribute the remainder as dividends after an ordinary meeting called in pursuance of the articles had passed the requisite resolution.

The case of *Verner v. The General and Commercial Investment Trust, Lim.* (*Times*, 8th April 1894. Dicksee's "Auditing," 6th Edition, pp. 627-632).

This case was decided in the Court of Appeal on the 7th April 1894. The decision was to the effect that an injunction to restrain a company from paying a proposed dividend out of current profits, on the ground that the capital of the company is not intact, must be refused if the company is solvent and is acting within its articles.

The facts were these:—Mr. William Henry Verner, on behalf of himself and all other stockholders of the defendant company, other than the directors, sought an injunction restraining the defendants from declaring and distributing any dividend in respect of the financial year terminating on February 28th 1894. The company's share capital amounted to £600,000, all of which had been received in cash. It had also received £300,000 as a result of an issue of debenture stock to that amount. There had thus come to the hands of the company £900,000, which had been invested in various securities authorised by the memorandum of association. The present market value of such investments was only £654,776, showing a depreciation of over £240,000, of which it was contended £75,000 was hopelessly lost. Apart from this there was an excess of income over expenditure amounting to £23,000. The question for the Court was whether, there being a loss of capital to the amount of £75,000, and an excess of income over expenditure of £23,000, a dividend could lawfully be declared and paid.

Lord Justice Lindley delivered the judgment of himself and Lord Justice A. L. Smith. He said:—"The broad question raised by this appeal is whether a limited company "which has lost part of its capital can lawfully declare or "pay a dividend without first making good the capital "which has been lost. I have no doubt it can—that is to "say, there is no law which prevents it in all cases and "under all circumstances. Such a proceeding may sometimes be very imprudent, but a proceeding may be "perfectly legal and may yet be opposed to sound commercial principles. We, however, have only to deal with "the legality or illegality of what is complained of." . . .

"It is plain that there is nothing in the memorandum and "articles which requires lost capital to be made good "before dividends can be declared. On the contrary, they "are so framed as to authorise the sinking of capital in the "purchase of speculative stocks, funds and securities, and "the payment of dividends out of whatever interests, divi-"dends, or other income such stocks, funds, and securities "yield, although some of them are hopelessly bad, and the "capital sunk in obtaining them is lost beyond recovery. "There is no suggestion of any improper juggling with "the accounts, and there is no payment of dividend out of "capital. There is no insolvency, and we have not to deal "with a petition to wind up. Some capital is lost, but that "is all that can be truly said, and that is not enough to "justify such an injunction as is sought. The appeal is "dismissed."

The case of *Wilmer v. M'Namara & Co., Lim.* (39 S.J. 450; and Dicksee's "Auditing," 6th Edition, pp. 632-634).

This case was decided before Mr. Justice Stirling, in the Chancery Division, on the 26th April 1895.

This was a motion on behalf of the ordinary shareholders of the defendant company asking for an injunction to restrain the directors from acting upon a resolution passed at a general meeting of the company that a sum of £5,816 12s. 6d. should be applied in payment of a dividend to the preference shareholders, and also from declaring and paying any dividend for the year ending 30th June 1894. The real object of the action, which was a friendly one, was to ascertain whether or not the dividend in question could be lawfully paid, in view of the fact that a valuation made of the company's assets showed a figure very much below the amount at which the assets stood in the books. The company's business was that of general carriers of mails, parcels, goods, &c., and the assets consisted of goodwill, leasehold premises, horses, vans, plant, &c.

Mr. Justice Stirling, in the course of his judgment, said: "It is necessary to consider whether the depreciation in "goodwill and leaseholds is to be treated as loss of 'fixed' "capital or of 'floating' or 'circulating' capital, and on "this point I am of opinion that it is to be treated as loss "of 'fixed' capital. . . . I think that the Balance "Sheet cannot be impeached simply because it does not "charge anything against revenue in respect of goodwill. "I feel much more doubt whether £200 is a sufficient sum "to allow in respect of depreciation of leaseholds, but I "do not think under the circumstances that a case has "been made out for an injunction, and the motion must be "refused."

The case of the *London and General Bank, Lim.* (*Acct.* L.R. 1895, p. 72, and *Acct.* L.R. 1895, p. 173; Dicksee's "Auditing," 6th Edition, pp. 634-668).

This case was decided in the Court of Appeal on the 30th April 1895 and on the 6th August 1895. Briefly, it may be said that two points were decided. In the first place it was held that the auditor of a company, registered under the Companies Act, 1879, is an "officer" of that company within the meaning of Section 10—the "misfeasance" section—of the Companies (Winding-up) Act, 1890. Secondly, this case decided that an auditor is guilty of misfeasance who, when dissatisfied with the accounts of a company, does not plainly draw attention to the grounds for his dissatisfaction in his certificate. As to the second point decided, I quote the following extracts from the judgment of Lord Justice Lindley:—"It is impossible to "read Section 7 of the Companies Act, 1879, without being "struck with the importance of the enactment that the "auditors are to be appointed by the shareholders, and are "to report to them directly, and not to, or through, the "directors. The object of this enactment is obvious. It "evidently is to secure to the shareholders independent "and reliable information respecting the true financial "position of the company at the date of the audit. . . . "It is no part of an auditor's duty to give advice either to "directors or shareholders as to what they ought to do. An "auditor has nothing to do with the prudence or "imprudence of making loans with or without security. It "is nothing to him whether the business of a company is "being conducted prudently or imprudently, profitably or "unprofitably; it is nothing to him whether dividends are "properly or improperly declared, provided he discharges "his own duty to the shareholders. His business is to "ascertain and state the true financial position of the com-"pany at the time of the audit, and his duty is confined to "that. But then comes the question, How is he to ascer-"tain such position? The answer is, By examining the "books of the company. But he does not discharge his "duty by doing this without inquiry and without taking "any trouble to see that the books of the company them-"selves show the company's true position. He must take "reasonable care to ascertain that they do. Unless he does "this his duty will be worse than a farce. . . . Such I "take to be the duty of an auditor; he must be honest—"that is, he must not certify what he does not believe to "be true, and he must take reasonable care and skill before "he believes what he certifies is true. What is reasonable "care in any particular case must depend upon the circum-"stances of that case. . . . Mr. Theobald's evidence" [It should be stated here that Mr. Theobald was one of the auditors of the bank.] "satisfies me that he took the "same view as myself of his duty in investigating the

"company's books and preparing his Balance Sheet. He "did not content himself with making his Balance Sheet "from the books without troubling himself about the truth "of what they showed. . . . I see no trace whatever of "any failure by him in the performance of this part of his "duty. It is satisfactory to find that the legal standard of "duty is not too high for business purposes and is recog-"nised as correct by business men. . . . The Balance "Sheet and certificate of February 1892—that is, for the "year 1891—was accompanied by a report to the directors "of the bank. Taking the Balance Sheet, the certificate, "and report together, Mr. Theobald stated to the directors "the true financial position of the bank, and if this report "had been laid before the shareholders Mr. Theobald "would have completely discharged his duty to them. "Unfortunately, however, this report was not laid before "the shareholders, and it becomes necessary to consider "the legal consequences to Mr. Theobald of this circum-"stance. A person whose duty it is to convey information "to others does not discharge that duty by simply giving "them so much information as is calculated to induce "them to ask for more. Information and means of informa-"tion are by no means equivalent terms. . . . In this "case I have no hesitation in saying that Mr. Theobald did "fail to discharge his duty to the shareholders in certifying "and laying before them the Balance Sheet of February "1892 without any reference to the report which he laid "before the directors, and with no other warning than is "conveyed by the words 'The value of the assets as shown "'upon the Balance Sheet is dependent upon realisa-"'tion.' . . . It is a mere truism to say that the value "of loans and securities depends upon their realisation. "We are told that a statement to that effect is so unusual "that the mere presence of those words is enough to excite "suspicion. But, as already stated, the duty of an auditor "is to convey information, not to arouse inquiry. . . . "The Balance Sheet and Profit and Loss Account were "true and correct in this sense, that they were in accord-"ance with the books. But they were, nevertheless, entirely "misleading, and misrepresented the real position of the "company. Under these circumstances, I am compelled "to hold that Mr. Theobald failed to discharge his duty to "the shareholders with respect to the Balance Sheet and "certificate of February 1892. Possibly he did not realise "the extent of his duty to the shareholders as distinguished "from the directors, and he, unfortunately, consented to "leave the chairman to explain the true state of the com-"pany to the shareholders instead of doing so himself. "The fact, however, remains, and cannot be got over, that "the Balance Sheet and certificate of February 1892 did not "show the true position of the company at the end of 1891, "and that this was owing to the omission by the auditor to "lay before the shareholders material information which he "had obtained in the course of his employment as auditor "of the company, and to which he called the attention of "the directors."

The case of *The Kingston Cotton Mill Co., Lim.* (*Times*, 23rd November 1895; *Acct.* L.R. 1896, p. 77; Dicksee's "Auditing," 6th Edition, pp. 668-675).

This case was decided by the Court of Appeal on November 22nd 1895 and on May 19th 1896.

It confirmed the decision arrived at in the case of the *London and General Bank*, that an auditor is an officer of a company if appointed under a normal set of articles. Here the company was an ordinary joint-stock company; in the *London and General Bank* case the company was a banking one registered under the Companies Act, 1879.

It was further held that in the absence of suspicious circumstances an auditor is not guilty of negligence who relies upon the statements made by trusted officers of that company.

As regards this last decided point, the following extracts from the judgment sufficiently explain the facts.

Lord Justice Lindley said:—"The circumstances are as "follows: For several years frauds were committed by the "manager, who, in order to bolster up the company and "make it appear to look flourishing when it was the "reverse, deliberately exaggerated both the quantities and "values of the cotton and yarn in the company's mills. "He did this at the ends of the years 1890, 1891, 1892, and "1893. . . . The Balance Sheets of each year contained "on the assets' side entries of the values of the stock-in-"trade at the end of the year, and these entries were stated "'as per manager's certificate.' . . . The auditors did "not profess to guarantee the correctness of this item—"Stock-in-trade. They assumed no responsibility for it. "They took the item from the manager, and the entry in "the Balance Sheet showed that they did so. I confess I "cannot see that their omission to check his returns was "a breach of their duty to the company. It is no part of "an auditor's duty to take stock. No one contends that it is. "He must rely upon other people for details of the stock-"in-trade in hand. . . . But, although it is no doubt true "that such a process might have been gone through, and "that, if gone through, the fraud would have been dis-"covered, can it truly be said that the auditors were want-"ing in reasonable care in not thinking it necessary to test "the managing director's returns. I cannot bring myself "to think that they were, nor do I think that any jury of "business men would take a different view. The auditor's "duty is not so onerous as the learned Judge" (the Judge in the Court below) "has held it to be. The order appealed "from must be discharged with costs."

Lord Justice Lopes, in the course of his judgment, spoke as follows:—"It is the duty of an auditor to bring to bear "upon the work he has to perform that skill, care, and "caution which a reasonably competent, careful, and "cautious auditor would use. What is reasonable skill, "care, and caution must depend upon the circumstances of "each case. An auditor is not bound to be a detective, or, "as was said, to approach his work with suspicion or with "a foregone conclusion that there is something wrong. He "is a watch-dog, but not a bloodhound. He is justified in "believing tried servants of the company in whom con-"fidence is placed by the company. He is entitled to "assume that they are honest and to rely upon their repre-"sentations, provided he takes reasonable care. If there "is anything calculated to excite suspicion he should "probe it to the bottom, but in the absence of anything "of that kind he is only bound to be reasonably careful "and cautious. . . . The duties of auditors must not be "rendered too onerous. Their work is responsible and "laborious, and the remuneration moderate. I should be "sorry to see the liabilities of auditors extended any further "than in *Re London and General Bank*. Indeed, I only "assented to that decision on account of the inconsistency "of the statement made to the directors with the Balance "Sheet certified by the auditors and presented to the share-"holders. This satisfied my mind that the auditors "deliberately concealed that from the shareholders which "they had communicated to the directors. It would be "difficult to say that this was not a breach of duty. "Auditors must not be made liable for not tracking out "ingenious and carefully laid schemes of fraud, when there "is nothing to arouse their suspicion and when those "frauds are perpetrated by tried servants of the company "and are undetected for years by the directors. So to hold "would be to make the position of an auditor intolerable."

The case of *The Western Counties Steam Bakeries and Milling Co., Lim.* (*Times*, 12th March 1897; Dicksee's "Auditing," 6th Edition, pp. 675-678).

This case was decided by the Court of Appeal on March 11th 1897.

It further dealt with the question as to whether an auditor is in all cases an officer of the company, and it was held that an accountant who certifies the accounts of a company as auditor, but who has never been properly appointed as auditor, is not an officer of that company.

Lord Justice Lindley said:—"If all persons who did "auditor's work for a company were officers of the com-"pany, the case would be easy; but no decision has yet "gone this length. An auditor may or may not be an "officer of a company. So may anybody else—*e.g.*, a "banker or solicitor. *Primâ facie* such persons are not "officers. To be an officer there must be an office, and an "office imports a recognised position with rights and duties "annexed to it, and it would be an abuse of words to call "a person an officer who fills no position either *de jure* or "*de facto*, but who happens to do some of the work which "he would have to do if he were an officer in the proper "sense of the word. Messrs. Parsons and Robjent per-"formed the duties which an auditor would have had to "perform. They were simply accountants called in by the "directors to do a piece of work, and they never were, and "never pretended to be, or acted as if they were, anything "else. In my opinion the decisions in the cases of the "*London and General Bank* and the *Kingston Cotton Mills* "*Company* decided two points only—viz., first, that "auditors might be officers within Section 10 of the Com-"panies (Winding-up) Act, 1890, a proposition which in "the first case was very stoutly disputed; and, secondly, "that the auditors in those cases were officers of the "companies then in question."

The case of *Cox v. The Edinburgh and District Tramways Co., Lim.* (*Glasgow Herald*, 17th June 1898; Dicksee's "Auditing," 6th Edition, pp. 686-690).

This Scottish case was decided in the Outer House of the Court of Session on June 16th 1898. It was held that when a tramway company alters its system from horse traction to cable traction nothing need be written off Capital Account before paying dividends out of current profits.

The following extracts from the judgment of Lord Kyllachy are not without interest:—"This is an action "brought by a shareholder of the Edinburgh Tramways "Company by which he seeks to restrain the respondents "from paying a certain dividend for the first half of the "current year 1898, or at least from paying that dividend "until provision is made for a certain loss, which, it is "stated, has arisen, or is about to arise, upon the realisa-"tion of the existing stock of horses and cars belonging to "the company. . . . It does not appear to me that we "have here to deal with anything which can be considered "as in any real sense a loss or depreciation, actual or pro-"spective, of the respondents' assets. The selling off of "their horses and cars is, or will be, a voluntary act on "the part of the company. It is part of a scheme or trans-"action upon which the company has embarked pre-"sumably for the benefit and not for the detriment of their "undertaking, and if such scheme or transaction involves, "by reason of enforced sale or otherwise, a sacrifice in one "direction, such sacrifice will at least presumably be com "pensated by a corresponding gain in some other directic

". . . Few things are, I should think, more common in "ordinary business than operations of the kind with which "we are here concerned. A merchant or manufacturer "desires to enlarge his premises, satisfied that it will pay "him to do so. He accordingly pulls down old buildings "which have a certain value, and he replaces them by "others at perhaps great cost. There is thus, of course, in "a sense, the sacrifice of a permanent asset, and it may "quite well happen that the new buildings if put into the "market would not fetch a sum equal to the value of the "old buildings plus the cost of the new. But for the pur-"poses of the trader's business the result may be entirely "the other way, and the presumption is that the trader is "satisfied that it is so. If he be so satisfied he will cer-"tainly not consider that he has sustained a loss of capital, "or feel bound to carry the cost of the old building to the "debit of his Profit and Loss Account for the year. So, "also, when a railway company, as sometimes happens, "alters its gauge, or substitutes, say, steel for iron rails. "The operation necessarily involves a sacrifice of old "material. But the assumption always is that the opera-"tion as a whole enhances the value of the concern or "undertaking. And although it may be a prudent and "proper thing to provide for the recurrence of such "expenditure, and to set up a renewal fund, that is a ques-"tion which the trader considers for himself, and one as "to which, even in the case of limited companies, Courts "of law are not accustomed to interfere. On the whole "matter I am of opinion that the complainer has stated no "relevant case for interfering with the proposed dividend."

The case of the *Irish Woollen Company, Lim. v. Tyson and others* (*Acct.* L.R. 1900, p. 13; Dicksee's "Auditing," 6th Edition, pp. 706-717).

This case was decided in the Irish Court of Appeal on the 20th January 1900.

The facts were these:—The auditor of the Irish Woollen Company—one of the defendants—was sought to be made liable for dividends paid out of capital because (1) no provision had been made for discounts to be allowed to sundry debtors in the event of the debts being received by the company within the period of credit allowed, (2) the provision for bad debts was insufficient, (3) the sundry creditors were understated. The auditor in this case was to perform a monthly audit. As regards (1) it was held to be unnecessary to provide for discounts off sundry debtors, and that it was right to insert the sundry debtors in the Balance Sheet "gross," and to bring the discount, when it was allowed, to the Profit and Loss Account. Lord Justice Holmes remarked that this seemed to be in accordance with common sense.

As regards (2) above, it was said in judgment:—"As to "the provision for the 'bad debts,' if there is any one "thing upon which an auditor is dependent upon the "officers it is the writing off, or the making of a pro-"spective allowance for, bad debts. He has no personal "knowledge of the customers, and Mr. Kevans" (Mr. Kevans was the auditor in question) "seems to have taken "particular attention in reference to this. He said 'he had "'some special knowledge of the subject, and that he saw "'all ascertained bad debts duly written off, and that there "'was a fund amounting to £500 as a provision therefor.' "For the foregoing reasons there is no ground for alleging "negligence against Mr. Kevans on the 'assets side' of the "Balance Sheet. As far as this portion is concerned, I "think the Balance Sheets were properly and carefully "prepared, and there was nothing dishonest or negligent "on the part of anyone; but if there were, it was not on the "part of Mr. Kevans or of his representative." As regards (3)—namely, the understatement of creditors, it was held that the auditor was guilty of negligence. The judgment of Lord Justice Holmes on this point was as follows:—"Now, "dealing with the 'sundry creditors'; here evidently "there is a fraud, and a curious thing is that no one seemed "to have derived any benefit from the fraud. The "creditors' accounts in the Ledger did not show all the "goods purchased up to the time of the audit, nor could "the auditor discover the omissions on account of many of "the invoices being either 'suppressed' or not put into the "book until at a later date—a process described as "'carrying over.' It seems strange that a system of fraud "so long continued, and for so extensive a period, was "never detected by the auditor. Once or twice he noticed "something, and the explanation that was given was 'that "the goods were not taken into stock.' The question is, "Was it negligent not to have seen this? There is no doubt "that both the suppression and carrying over of invoices "would have been detected if the auditor had called for the "creditors' statements of accounts upon which payment "was ordered, and compared them with the Ledger. I "should have thought that this was part of the auditor's "duty for many reasons; but all the accountants examined, "except Mr. Southworth, stated that this course is never "taken unless there is something to arouse suspicion. Mr. "Pixley, the eminent London accountant, says it could not "well be done except in the case of a very small concern. "In the face of such evidence I should not leave myself at "liberty to hold that Mr. Kevan's assistants were guilty "of negligence in not looking at these statements of account "if they were engaged in an ordinary audit. Little time "is allowed for doing so; but in this case there was this "system of monthly checking. I am unable to conceive "how, if there was nothing wrong about this monthly

"checking, it did not lead at an early period to the detec-"tion of the frauds in this Ledger. Mr. Kevans ought to "have found out, by the accounts, the payments that were "made—and no better means could be adopted than that "of a comparison with the statement of accounts. It ought "to have been done in some way, and, if it had, detection "would have been certain. I do not base my decision on "this alone; apart altogether from the statements of "account and the monthly check, I do not understand how "the carrying over of the invoices could have escaped "detection by the accountant, who should have used due "care and skill, and was not a mere machine. The invoices "carried over were ultimately posted to the Ledger. If "they were posted at their true dates it would be at once "apparent that they were not entered in at the proper time. "If they were posted under false dates, why was this not "detected when the Ledger Accounts were checked with "the invoices? And when no invoices came into the books "it is admitted that this ought to have excited suspicion. "For these reasons I am of opinion that if due care and "skill had been exercised the carrying over and suppres-"sion of the invoices would have been discovered, and the "auditor is liable for any damage the company has "sustained from the understatement of liabilities in the "Balance Sheet due to this cause since January 4th 1892."

I may just mention in passing the case of *Maynards, Lim. v. Maynards and others*, decided before Mr. Justice Farwell, in the Chancery Division, on the 16th January 1900 (*Acct.* L.R. 1900, p. 24; and Dicksee's "Auditing," 6th Edition, pp. 718-728). The case dealt with alleged false statements in an accountant's certificate of profits figuring in a company prospectus, but as the case can hardly be said to be one affecting "auditors," I will not deal with it further.

The case of *Joseph Hargreaves, Lim.* (*Leeds Mercury*, 16th February 1900; Dicksee's "Auditing," 6th Edition, pp. 728-731).

This case was decided before Mr. Justice Cozens-Hardy, in the Chancery Division, on the 15th February 1900. It was held that an auditor who refuses to sign the accounts of a company cannot be held liable because no correct accounts were submitted to the shareholders.

In the course of his judgment Mr. Justice Cozens-Hardy said:—"It is sought to make the auditor liable for three "dividends paid out of capital, and it is sought to make "him liable under circumstances the like of which, so far "as I am aware, have never occurred before. Mr. Jones" (Mr. Jones was the auditor in question) "has never signed "any Balance Sheet; no resolution of the company or of "the directors has ever been passed for the payment of a "dividend; nothing has ever been done by the directors or "by anybody, on the footing of any inaccurate statement, "insufficient statement, or dishonest statement, by Mr. "Jones. Mr. Jones told the directors that, in his opinion, "the payment of the dividend which had been made before "the first audit was improper, because that was only "justified by reason of an appreciation of the value of the "machinery, which appreciation, assuming it to be proper, "ought not in Mr. Jones's view to have been carried to the "credit of Profit and Loss, but ought to have been carried "to a Suspense Account, unless and until the shareholders' "general meeting otherwise resolved. Mr. Jones for that "reason deliberately refused to sign the Balance "Sheet. . . . He could not, and would not, certify the "correctness of this Balance Sheet, and I think he was "perfectly right in refusing to do so. He did not report "upon it to the general meeting, for the best possible "reason that there was no general meeting to which he "could report; and it is sought really, I think, when one "gets to the bottom of the case, to render the auditor liable "because he did not require a general meeting of the "shareholders to be summoned, to which he could make a "statement as to the improper conduct of the directors. "Well, how could he have summoned a meeting? He had "no more power to summon a meeting than I have. . . . "I think, therefore, the summons must be dismissed with "costs as against Mr. Jones."

The case of *Dumbell's Banking Company, Lim.* (*Acct.* L.R. 1900, p. 181; Dicksee's "Auditing," 6th Edition, pp. 738-762).

This case was decided before a Special Court, held at Douglas, Isle of Man, on the 5th to 14th November 1900. It constituted a prosecution under the Manx Criminal Code, 1872, Section 221 (identical with the Larceny Act, 1861, Section 84).

The indictment was to the effect that the prisoners—amongst whom were William Aldred and Harold Vincent Aldred, of Manchester, the English auditors of the bank—were charged that they did jointly make, circulate, and publish, and concur in making, circulating, and publishing, three Balance Sheets dated June and December 1898 and June 1899, which they knew to be false in material particulars, with intent to deceive and defraud the members, shareholders, and creditors of the bank. Deemster Shee, in charging the jury, said that "in sub-"stance the charge came to this: That the defendants had "all had a hand in making and circulating Balance Sheets "that were false in several particulars—though one would "be enough—Balance Sheets which they issued intendir "defraud. There was no dispute, except by F

"Aldred, that all of them did issue the Balance "Sheet. . . . All the auditors took part in auditing the "accounts. The signature of one of them was enough. "It was equally clear that the Balance Sheets were false. "It was not now denied that the £15,000 unissued notes "were wrongly stated as cash. Then with regard to the "£65,000 loan, the fact was that no cash passed from the "London bank to Dumbell's bank. The fact was that it "was described as a loan with a corresponding allegation, "the accounts showing a much larger balance owing to "the London bank. Dumbell's, in the first half-year, owed "£89,000, in the second half £101,000, and in the third "£180,000, and yet it was treated as cash by the managers "and auditors, and was treated as cash in the Balance "Sheets, which would represent the true state of the "bank's affairs. Whatever might be the opinion of other "people, the jury, using their best intelligence, would pro-"bably see that this £65,000 was as little cash as the "£15,000 notes. As to overdrafts, those which were good "were all right, but it was with regard to the bad over-"drafts that the jury had to apply their minds. Let them "distinguish between the two sorts. Beyond all question, "these overdrafts were bad, he should say; but the jury "must not accept his opinions, but form their own. He "believed they were hopelessly irrecoverable. In June "1898 there were £234,000 of this class of overdrafts; in "December 1898 there were £243,000; and in June 1899 "there were £281,000 worth of them. Not only that, but "there was £30,000 of overdrafts included which were "confessedly and hopelessly dead. No interest had been "charged on these since 1884 and 1885. Some of the over-"drafts were statute barred four times over, but all were "treated as assets and interest charged upon them. Here, "again, the Balance Sheet was false. It was not denied "that the accounts were false, and that the bad debts over-"topped the reserve and contingency fund combined "over £100,000. Besides this there was £6,000 interest "improperly added. It was uncontradicted evidence that "if the cash had been properly shown at £35,000 instead "of £120,000 everybody with a penny at the bank would "have run to withdraw the deposit. There was no ques-"tion, then, that the accounts were not only false, but "materially false. . . . An auditor represented the "shareholders, and was there to protect them. His busi-"ness was to exercise an independent judgment. He was "not to take the directors' nor the managers' view; but, "if suspicious, must probe it. Auditors were not to be "mere arithmeticians and calculators, as, it was said, "Aldred, Junr., was. . . . They must make an audit "certifying the true state of affairs at the time of the "Balance Sheet, and, though not liable for carelessness, "they must be honest and tell the truth. . . . It must "have been apparent to them that cash in hand was an "essential feature with the Balance Sheet, and that the "£80,000 to make the bank look strong had to be got some-"how. It was conceded by them that the notes and loan "were not in cash. Their letters showed that they unques-"tionably thought the overdrafts were bad. . . . The "Aldreds told the managers they held strong views on the "overdrafts; but did not certify those strong views on "their certificates. . . . Did they tell the shareholders "that they had had differences with the managers? No; "they said, 'We have examined the accounts in detail and "find them correct.' . . . Aldred, Senr., knew what was "going on. If the jury thought he was a mere machine "it was their duty to say so; but if they thought he was "a man of intelligence and grown to years of discretion, "and knew these things, there was no doubt he was guilty, "and the jury must say so."

The defendants were found guilty by the jury. William Aldred and Harold V. Aldred were sentenced to twelve months' and six months' hard labour respectively.

The case of *Foster v. The New Trinidad Lake Asphalte Company, Lim.* (*Times*, 29th November 1900; Dicksee's "Auditing," 6th Edition, pp. 762-764).

This case was decided before Mr. Justice Byrne, in the Chancery Division, on the 28th November 1900.

It was held that a profit made on realisation of an asset included in the undertaking acquired by a company *en bloc* at its inception was not available for dividend, but that before any profits so made could be rendered available for dividend regard must be had to the value of the assets as a whole.

Briefly the facts of the case were these. Certain promissory notes, amounting in English currency to £26,258 16s. 0d. had been acquired by the defendant company along with other assets, but the promissory notes in question were not regarded at the time of the purchase as of any value. Subsequently the notes were met in full. The defendant company sought to carry the unexpected profit to the Profit and Loss Account, regarding it as a windfall and as a profit capable of division amongst the shareholders. Mr. Justice Byrne refused to accept this view. He said:—"It appears to me that the amount in "question is *primâ facie* capital, and that I have no evi-"dence which would justify me in saying that it has "changed its character because it has turned out to be of "greater value than had been expected. . . . It is clear, "I think, that an appreciation in total value of capital "assets, if duly realised by sale or getting in of some "portion of such assets, may in a proper case be treated

"as available for purposes of dividend. This, I think, is "involved in the decision in the case of *Lubbock v. British "Bank of South America*" (*vide supra*). "If I rightly "appreciate the true effect of the decisions, the question of "what is profit available for dividend depends upon the "result of the whole accounts fairly taken for the year, "capital as well as profit and loss, and although dividends "may be paid out of earned profits in proper cases, "although there has been a depreciation of capital, I do "not think that a realised accretion to the estimated value "of one item of the capital assets can be deemed to be "profit divisible amongst the shareholders without "reference to the result of the whole accounts fairly "taken."

The case of *Herbert Alfred Burleigh v. Ingram Clark, Lim.* (*Acct.* L.R. 1901, p. 65; Dicksee's "Auditing," 6th Edition, pp. 773-775).

I may just mention this case in passing. It was held by Mr. Justice Joyce, in the Chancery Division, on April 2nd 1901, that an accountant has a lien on account books for professional charges. It is also worthy of note that Mr. Justice Joyce, in the course of his judgment, said:—"The "question of an auditor's lien did not arise, and, had it "done so, he considered that an auditor had no such lien; "but that point he did not now decide."

The case of *Dovey and others v. Cory* (*National Bank of Wales* case) (*Times*, 2nd August 1901; and Dicksee's "Auditing," 6th Edition, pp. 775-785).

This case was decided by the House of Lords on the 1st August 1901, before the Lord Chancellor, Lords Macnaghten, Shand, Davey, and Brampton.

It was held that a director, if he acts *bonâ fide*, is entitled to rely on the company to prepare true and honest accounts. This judgment upheld the decision of the Court of Appeal. It is not the actual decision which is of such great importance to auditors as some portions of the judgment delivered dealing with the question as to what are profits available for dividend.

The Lord Chancellor said:—"I am very reluctant to "enter into a question which for the reasons I have given "does not arise here, and into which the Court of Appeal "has entered at some length. The only reason why I refer "to it at all is lest by silence I should be supposed to adopt "a course of reasoning as to which I am not satisfied that "it is correct. I doubt very much whether such questions "can ever be treated in the abstract at all. The mode and "manner in which a business is carried on, and what is "usual or the reverse, may have a considerable influence "in determining the question what may be treated as "profits and what is capital. Even the distinction between "fixed and floating capital, which in an abstract treatise "like Adam Smith's 'Wealth of Nations' is appropriate "enough, may with reference to a concrete case be quite "inappropriate. It is easy to lay down that you must not "pay dividends out of capital, but the application of that "very plain proposition may raise questions of the utmost "difficulty in their solution. I desire, as I have said, not "to express any opinion, but as an illustration of what "difficulties may arise the example given by the learned "counsel in one ship being lost out of a considerable "number, and the question whether all dividends must be "stopped until the value of the lost ship is made good out "of further earnings of the company or partnership, is one "which one would have to deal with. On the one hand, "people put their money into a trading concern to give "them an income, and the sudden stoppage of all dividends "would send down the value of their shares to zero, and "possibly involve its ruin. On the other hand, companies "cannot at their will and without the precautions enforced "by the statute reduce their capital; but what are profits "and what is capital may be a difficult and sometimes "almost impossible problem to solve. When the time "comes that these questions come before us in a concrete "case we must deal with them, but until they do, I, for one, "decline to express an opinion not called for by the par-"ticular facts before us, and I am the more adverse to "doing so because I foresee that many matters will have "to be considered by men of business which are not "altogether familiar to a Court of law."

Professor Dicksee, in his work "Auditing," 6th Edition, pp. 382 and 383, summarises the decision of the House of Lords in this case as follows:—"The Supreme Court has "held that it is no part of the duties of a director to go into "details, and that he is not responsible for the knavery or "dishonesty of trusted officials of the company of which he "had no knowledge at the time. The Law Lords, however, "thought it desirable to express their dissent from those "portions of the judgment of the Court of Appeal which "declared the respondent director not liable, because they "(the Court of Appeal) considered that the dividends "which had been challenged had not in effect been impro-"perly declared; and while approving the decision of the "Court of Appeal in the case of *Verner v. The General and "Commercial Trust, Lim.*, the House of Lords laid it down "that the question as to what profits could be properly dis-"tributed by way of dividend in any individual case could "only be certainly determined when that case arose for "decision. It was added that, although the provisions of "the Companies Act, 1877 (with regard to the reduction of "a company's capital) must not be ignored, it did not neces-"sarily follow that a company was obliged to make good

"the losses incurred in previous years out of subsequent "profits before distributing anything by way of dividend. "This decision is of the greatest importance, as it removes "the disturbing element occasioned by the judgment of the "Court of Appeal, and for practical purposes replaces the "whole question as to what are divisible profits upon a "sound commercial basis. In the course of the judgment it "was, indeed, intimated that, in deciding any particular "case involving this question, the Courts would have to "take into consideration the views of men of business "specially versed in such transactions as those engaged in "by the particular company under review."

The case of *Bond v. The Barrow Hæmatite Steel Company, Lim.* (*Times*, 17th January 1902; Dicksee's "Auditing," 6th Edition, pp. 786-793).

This case was decided by Mr. Justice Farwell, in the Chancery Division, on the 18th January 1902.

Here the facts were shortly these. There was a large balance on the Profit and Loss Account representing profits. The directors, however, proposed to declare no dividend, because they contended that large depreciation had taken place in land, buildings, works, fixed plant, and mining leases, and expert evidence was brought in support of their contention.

The plaintiff on behalf of himself and all other preference shareholders brought this action to compel the directors to pay to them the dividends and arrears of dividends on their shares.

It was held that preference shareholders cannot claim to receive dividends out of current profits as a matter of right, and without regard to such provision to such reserves as the directors may think needful.

Mr. Justice Farwell said:—"It has been proved to my "satisfaction that the company has sustained an actual "ascertained and realised loss of capital to an amount "exceeding £200,000, and has also lost capital by estimate "and valuation to an amount exceeding £50,000. The "various sums claimed by the plaintiffs as available to pay "their dividends amount to £240,000. If, therefore, these "ascertained and estimated losses have to be made good "before any dividend can properly be paid, there are "obviously no funds out of which to pay dividends. The "defendants allege and the plaintiffs deny that the com-"pany is bound to make good these losses before paying "any dividend. The question is one of very considerable "difficulty on the authorities, but the result of these autho-"rities is, in my opinion, that there is no hard and fast "rule by which the Court can determine what is capital "and what is profit. . . . The plaintiffs really relied on "*Lee v. Neuchâtel Asphalte Company* as an authority for "this proposition as a universal negative—namely, 'that "'no company owning wasting property need ever create "'a depreciation fund.' In my opinion that is not the "true result of the decision. It must be remembered that "in that case there had been no loss of assets. The com-"pany's assets were larger than at its formation, and the "Court decided nothing more than the particular proposi-"tion that some companies with wasting assets need have "no depreciation fund. . . . It is for the Court to "determine in each case on evidence whether the par-"ticular company ought, or ought not, to have such a fund. "There is no doubt as to the opinion of the witnesses in "this case, and, further, the opinion of the directors "cannot be altogether disregarded. The Courts have, no "doubt in many cases, overruled directors who proposed "to pay dividends, but I am not aware of any case in "which the Court has compelled them to pay when they "have expressed their opinion that the state of the "accounts do not admit of any such payment. In a matter "depending on evidence and expert opinion it would be a "very strong measure for the Court to override the direc-"tors in such a manner. The result is that the action "fails, and must be dismissed with costs."

The case of the *London Oil Storage Company, Lim. v. Seear, Hasluck & Co.* (*Acct.* L.R. XXXI. p. 1; Dicksee's "Auditing," 6th Edition, pp. 838-856).

This case was decided before the Lord Chief Justice and a special jury, in the King's Bench Division, on the 1st June 1904.

It was held to be the duty of the auditor of a company to take proper steps to verify the existence of assets stated in the Balance Sheet.

The case consisted of an action for damages for alleged negligence in auditing the plaintiff company's accounts. The defendants denied that they had been guilty of negligence, and said that the alleged loss of £760 had been caused by negligence on the part of the directors of the plaintiff company in entrusting so much money to their cashier.

The defendant had been the auditor of the company from the first, and it was his duty under the articles to audit the accounts and "to certify the correctness of the financial statement" for the purpose of the yearly Balance Sheet, in which there appeared a sum representing cash in hand, and it was in reference to that sum that the plaintiffs alleged that Mr. Hasluck, through his clerks, had been guilty of negligence. One of the officials of the company had been a Mr. Frederick R. Clarke, who had been taken over from Mrs. Ingall when the company was formed, and

who had at first been bookkeeper and cashier, but was later also appointed secretary at the city office. At that office a Petty Cash Book was kept, in which the cash balance appeared, and Mr. Hasluck's clerks entered in the Balance Sheet the amount of petty cash that appeared in the Petty Cash Book, but they never troubled to find out whether Mr. Clarke had that balance in hand or not. Till 1902 nothing was suspected, but Mr. Clarke was then seized with a paralytic stroke and had ever since been in a pitiable state, and could not be called as a witness. His duties were taken over by Mr. Hubble, who found in the cash-box about £30, though the Petty Cash Book showed a balance of £796, the balance having gradually increased from £21 in 1897 to £796 in 1902.

The jury returned a verdict to the effect that there was a breach of duty in 1899, 1900, 1901, and 1902, and that there was damage to the extent of £5 5s. The jury added that they considered that the directors had been guilty of gross negligence.

In the course of his judgment, the Lord Chief Justice said:—". . . . I would call attention to the fact that "the jury have, I think rightly, limited their finding to the "years 1899, 1900, 1901, 1902, when the asset was a sub-"stantial sum of money not less than £470 in the first "year. . . . I am bound to say that I think that there "was a very grave and substantial question to be fought "and tried, which the jury have answered, in my opinion, "absolutely rightly, that there was not a sufficient fulfil-"ment of his duty in ascertaining whether that asset really "existed. I particularly desire to avoid using the words "'counting the cash.' I do not think that is a true state-"ment of the duty of an auditor, although it is one way of "putting it. Anything may be 'counting cash,' if you "ascertain it is there; but, as I tried to point out to the "jury, there may be cases in which the actual counting of "the sovereigns is not even the best way of vouching or "ascertaining the amount. Therefore I think the jury did "take the view properly that there was not a proper dis-"charge of his duty by his clerk—nothing morally wrong "in the least, but not a sufficiently careful supervision by "Mr. Hasluck's clerk of the asset which was believed to "exist, and which was shown by the books to exist, because "that the audit was most carefully performed I have not a "shadow of doubt apart from this. I think there was a "substantial issue properly raised by the plaintiff and pro-"perly defended by Mr. Hasluck, if he determined to fight "the battle on the ground on which he did fight it, that there "was no duty on an auditor to ascertain the existence of "an asset, assuming the books showed that that asset "ought to have been in existence. Therefore I think a "substantial question had to be tried, and that entirely "makes it impossible for me to say that there was not an "issue before the jury as to breach of duty, and, if it were "a breach of duty, at any rate there must be nominal "damages."

The next and last case with which I will deal is the recent one of

Newton v. The Birmingham Small Arms Company, Lim.
(*Acct.* L.R. July 7th 1906.)

This case was decided before Mr. Justice Buckley, in the Chancery Division, in June 1906. It was the trial of an action brought by Sir A. J. Newton, suing on behalf of the shareholders of the defendant company, against the company, claiming a declaration that a special resolution passed and confirmed in January and February 1906, purporting to alter the company's articles of association by inserting provisions therein for an internal reserve fund was *ultra vires* and invalid, and an injunction to restrain the company and its directors from acting on such resolution.

The facts sufficiently appear from the following extracts of Mr. Justice Buckley's judgment:—"In February last "this company passed special resolutions the short sub-"stance of which is that the directors may, under defined "circumstances, set aside (without disclosing the fact) out "of the profits sums to form 'an internal reserve fund'—a "sort of secret service fund—and that this fund need not "be shown in or disclosed by the Balance Sheet and no "information need be given to the shareholders as to its "amount, investment, or application; that the directors "may invest it as they may think fit without being liable "for loss in consequence of such investments; that they "may apply it for any purposes which they may consider "will advance the interests of the company; and that, "while the particulars as to this fund are to be disclosed "to the auditors, it is to be the auditors' duty not to dis-"close any information with regard to it to the share-"holders or otherwise. The question for decision is "whether, having regard to Sections 21 to 23 of the Com-"panies Act, 1900, these special resolutions are *ultra* "*vires*. . . . The defendants do not dispute that, if and "so far as the special resolutions are inconsistent with the "Act, it is the Act which must prevail. . . . There are, "I agree, in the Act of 1900 no affirmative words to the "effect of what I am about to state, but I think that the "language of the Act is sufficient to show that, by implica-"tion, it requires that there shall be annually an audit of "accounts resulting in a Balance Sheet, to the accuracy of "which the auditors shall speak. The special resolutions "in the present case require that the Balance Sheet shall "not disclose the internal reserve fund. It must therefore "omit on the assets' side of the Balance Sheet the assets "which make up the amount standing to the credit of that

"fund and the contra item—namely, the credit balance "of the fund—on the liability side. The result will be to "show the financial position of the company to be not so "good as in fact it is. If the Balance Sheet be so worded "as to show that there is an undisclosed asset, the existence "of which makes the financial position better than shown, "such a Balance Sheet will not, in my judgment, be neces-"sarily inconsistent with the Act of Parliament. Assets "are often, by reason of prudence, estimated, and stated to "be estimated, at less than their probable real value. The "purpose of the Balance Sheet is primarily to show that "the financial position of the company is at least as good "as there stated, not to show that it is not or may not be "better. The provision as to not disclosing the internal "reserve fund in the Balance Sheet is not, I think, neces-"sarily fatal to the special resolutions. The Act, how-"ever, provides that the auditors shall report to the share-"holders on the accounts examined by them. These "auditors will examine, among others, the accounts of the "internal reserve fund. A principal question in this case, "I think, is whether it is a compliance with these words "of the Act that the auditors shall report that they have "examined the accounts as to the internal reserve fund, "that they are satisfied with them, and that the funds have "been employed in a manner authorised by the company's "regulations, or whether there will be default in complying "with the Act if they do not go on to say how the fund has "been employed. In my judgment such a report would be "a sufficient report within the Act if the auditor is *bonâ* "*fide* satisfied that in making this report, and nothing "further, he is truly reporting as to 'the true and correct "view of the company's affairs.' But the special resolu-"tions do not stop here. They provide that it shall be the "duty of the auditor not to disclose any information with "regard to this fund to the shareholders or otherwise. It "is, I think, inconsistent with the Act of Parliament that "the auditor shall be bound, even when he thinks that the "true state of the company's affairs is affected by facts "relating to the internal reserve fund, to withhold all "information with regard to the same from the share-"holders. If, for instance, the directors had invested the "internal reserve fund upon investments which might "involve the company under certain circumstances in "enormous loss, the Act, I think, requires that the "Auditor shall be at liberty and be bound to report that "fact. . . . There is no suggestion in this case that "these clauses are intended to be used for any other than "a legitimate purpose. Those who are engaged in com-"merce are familiar with the fact that undue publicity as "regards the details of their trade, or as to the financial "arrangements, may often be injurious to traders, having "regard to the rivalry of competitors in trade, to complica-"tions sometimes arising from strained relations between "capital and labour, and the like. There are legitimate "reasons for ensuring secrecy to a proper extent. It is not, "I think, necessary, nor, having regard to the great utility "of these Acts, is it desirable to expose persons who trade "under these Acts to the necessities of a publicity from "which their competitors are free, unless such publicity "is required to ensure commercial integrity." "I am not "disposed," continued Mr. Justice Buckley, "to look too "closely for reasons why I should find clauses such as "these to be inconsistent with the Act if I see that the "true purpose of the Act is satisfied. I think, however, "these special resolutions go too far. Any regulations "which preclude the auditors from availing themselves of "all the information to which under the Act they are "entitled as material for the report which under the Act "they are to make as to the true and correct state of the "company's affairs are, I think, inconsistent with the Act."

His Lordship granted an injunction to restrain the company from acting on the special resolution, and ordered the company to pay the costs.

In conclusion, gentlemen, I would only say this: The task of extracting the important details from a lengthily reported case is not a simple matter. I realised this when I selected this subject. I have appreciated it more and more in the course of my preparation of this paper. If, however, this lecture is of any service to students in their period of acquiring the requisite knowledge to permit of their entering the profession of a Chartered Accountant, I feel that any little trouble on my part will have been well spent.

Manchester Society of Chartered Accountants.

The twenty-sixth annual general meeting of the above Society was held on the 15th ult., at the Library, 30 Spring Gardens, Manchester.

The following are the

REPORT AND ACCOUNTS.

Your Council beg to submit the report of their proceeding during the past year.

The number of members is now 163, an increase of one over last year, six having joined the Society, and five having, through resignation, &c., ceased to be members. Your Committee record with deep regret the death of Mr. Adam Murray, whose long and valuable services to the profession are so well known.

During the year your Council have had under consideration the question of registration for the profession, and

the following resolution was passed and forwarded to the Institute:—

"That the Council be urged to further consider the question of legislation in the joint interests of the profession and the public, whether by means of registration or otherwise."

With the view of safeguarding the interests of the profession, your Council have arranged that when any Bill affecting such interests is introduced into Parliament, copies shall be issued to each member of the Council of this Society and also placed on the table in the Library, in order that representations may be made thereon in the proper quarter, either personally or officially through the Society.

Copies of the Public Trustee Bill (which has since been placed upon the Statute Book) and the Trust Accounts (Audit) Bill have been so circulated.

The Institute having invited suggestions in connection with the Committee appointed, "to inquire into and report "upon the effect of the laws in force in the United King- "dom in relation to bankruptcy, deeds of arrangement, and "compositions by insolvent debtors with their creditors, "and the prevention and punishment of frauds by debtors "on their creditors," a general meeting of the members was held on the 22nd May 1906, when Mr. Gregory kindly opened a discussion on the subject. As a result a letter in the following terms was sent to the Institute:—

May 23rd 1906.

DEAR SIRS,—

BANKRUPTCY, &C., COMMITTEE.

A meeting of the Manchester Society of Chartered Accountants was held on Tuesday, the 22nd inst., when I was desired to ask you that attention should be directed by the Committee towards the following points, viz.:—

(1) That in every case of a proposed private arrangement there shall be a meeting of creditors.

(2) That if a trustee has been appointed, his appointment shall not continue unless approved in writing by a majority in value of the creditors.

(3) That a trustee of a deed shall give security to an amount not exceeding the estimated value of the assets as per the debtor's affidavit.

(4) That an arrangement approved by (say) four-fifths or five-sixths in value of the creditors shall be binding on all the creditors.

(5) That a speedy and inexpensive remedy should be provided against a trustee who does not distribute the assets in due course.

(6) That unclaimed dividends shall be paid to the Board of Trade.

(7) That in the case of a second bankruptcy, assets acquired after the close of the first bankruptcy shall in the first case belong to the creditors in the second bankruptcy.

I am further desired to say that Mr. Gregory will be pleased to attend on behalf of the Society to give evidence if desired.

Yours faithfully,

(Signed) ROGER N. CARTER,
Hon. Sec.

Mr. Gregory also attended before the Committee and gave evidence on behalf of the Society.

The Committee has not yet reported to the House.

Your Council cannot let this opportunity of reaching the members pass without urging upon them the claims of the Chartered Accountants' Benevolent Association. At the annual meeting of the Institute it was pointed out that whilst only 15 per cent. of the members subscribed, only 6 per cent. of those in Manchester were on the rolls with subscriptions amounting to £16, whereas £51 was spent in our district. Since the date of that meeting most of the members of the Council have enrolled themselves as subscribers, and they appeal with confidence to the members for further support.

A form is enclosed with this report for the convenience of anyone who is willing to become a subscriber.

The annual dinner was held on the 22nd November, when there were present:—The Mayor of Salford, the Official Receiver in Bankruptcy, the President of the Institute, the President of the Sheffield Society, the President of the Manchester Law Society, the President of the Bankers' Institute, the President of the Manchester Chamber of Commerce, and the Dean of the Faculty of Commerce of the Victoria University of Manchester. The Lord Mayor of Manchester and the Vice-Chancellor of the County Palatine found themselves, at the last moment, unable to be present.

About seventy-two members and guests sat down.

Owing to the death of Mr. Adam Murray, and the resignation of Mr. C. H. Wade, there were two vacancies on the Council of the Institute. These vacancies have since been filled by the appointment of Mr. J. G. Litton and Mr. Jno. Mather, both members of the Council of this Society.

A joint meeting of this Society and the Students' Society was held on the 3rd December 1906, when Mr. W. R. Hamilton, F.C.A. (Notts.), delivered a lecture on "The Criticism of Accounts." The thanks of the Society are due to Mr. Hamilton for coming so great a distance in the interests of the profession.

Two Preliminary Examinations of the Institute, each extending over three days, were held in Manchester during the year, and were presided over by officers of the Society.

In order to bring our membership rule into line with that of the Institute, your Council have approved an alteration of Rule 4, which now reads:—

"No person shall be eligible for admission [unless he be in practice as a public accountant or in the service of a public accountant, and] unless he be, at the time of his applying, a Fellow or Associate of the Institute of Chartered Accountants in England and Wales."

and a resolution will be proposed that the words in brackets be left out.

Having received from the Institute a copy of a letter addressed to them from Messrs. Jordan & Sons, Lim., asking whether they would raise any objection to the incorporation of a company as "Manchester Institute of Accountants and Auditors," the following letter was addressed to the Board of Trade:—

22 Booth Street,
Manchester,
October 30th 1906.

The Comptroller,
Companies' Department, Board of Trade,
8 Delahay Street, S.W.

SIR,—Understanding that an application is being made by a company to be registered under the name of "The Manchester Institute of Accountants and Auditors," I am directed by the Council of the Manchester Society of Chartered Accountants (which is a local Society composed of gentlemen who are members of the Institute of Chartered Accountants) to state that, in their opinion, such registration would not be in the public interest, as it would cause confusion in the minds of the public owing to the similarity of the proposed name to that of our parent Society—The Institute of Chartered Accountants.

We desire, therefore, to oppose the registration so far as we can possibly do so, and respectfully ask that it be not permitted.

I am, Sir,
Your obedient Servant,
(Signed) JNO. P. GARNETT,
President of the Manchester Society of Chartered Accountants.

The letter was duly acknowledged.

Your Council have not heard that any application has been made.

They observe with satisfaction (from *The Accountant* of the 9th March) that in the case of *The Institute v. Yoxall and others*, carrying on business as The Institute of Accountants, London, a perpetual injunction has been granted, with costs, against the defendants using that name.

The following members of the Council retire by rotation:—Messrs. H. S. Ferguson, J. E. Halliday, J. G. Litton, W. H. Nairne, C. W. Nasmith, and Geo. Ward.

The attendances at Council and Committee meetings during the year have been as under:—

Name	Number of Meetings	Attendances
R. N. Carter	10	9
H. S. Ferguson	7	4
J. P. Garnett	9	7
A. A. Gillies	6	5
Theodore Gregory	8	5
J. E. Halliday	6	4
T. W. Handley	6	—
G. E. Haworth	7	3
J. G. Litton	6	3
John Mather	10	6
W. H. Nairne	6	3
C. W. Nasmith	6	3
Edward Paterson	6	3
J. W. Pollitt	9	3
A. P. Popplewell	9	9
Fred Scott	6	1
F. T. Woolley	6	3
Geo. Ward	6	4

The Treasurer's Statement of Accounts for the year 1906, certified by the auditors, is appended hereto.

On behalf of the Council,
JNO. P. GARNETT,
President.

60 Spring Gardens, Manchester.
April 2nd 1907.

Dr. REVENUE ACCOUNT for the year ended December 31st 1906. *Cr.*

Expenditure.

	£	s	d
To Rent, Rates and Insurance	412	19	4
" Gas, Water, Coal and Electric Light	7	14	1
" Attendance, Cleaning, &c.	108	16	0
" Repairs and Sundry Expenses	3	18	5
" Advertising Rooms	5	17	0
" Printing, Stationery, &c.	25	0	10
" Postage and Petty Cash	9	11	6
" Library Books	9	0	0
" Subscription to *Accountant*	5	10	10
" Expenses of Annual Dinner	11	9	5
" Bank Interest and Commission	4	1	5
" Faculty of Commerce in the Manchester University	10	0	0
	£613	18	10

Income.

				£	s	d
By Subscriptions				162	4	6
" Rents Receivable:—						
Students' Society	£30	0	0			
Sundry Persons	213	10	0			
				243	10	0
* Annual Grant from Institute of Chartered Accountants				150	0	0
" Balance being Excess of Expenditure over Income				58	4	4
				£613	18	10

BALANCE SHEET, December 31st 1906.

Liabilities.	£ s d
Sundry Creditors..	160 12 11
Manchester and County Bank, Lim.	181 19 7
	£342 12 6

Assets.		£ s d
Grant for 1906 due from the Institute of Chartered Accountants in England and Wales		150 0 0
Rents owing, viz:—		
Students' Society	£30 0 0	
Sundry Persons	83 0 9	
	£113 0 9	
Less Reserve for Doubtful Debts	5 0 0	
		108 0 9
Rates, &c., estimated, paid in advance	.. ..	57 13 5
National Telephone Co., Lim., Deposit	.. ..	1 0 0
Subscriptions in Arrear	.. ..	9 9 0
Excess of Expenditure over Income for year ended December 31 1906	£58 4 4	
**Less* Accumulated Fund, Balance at December 31st 1905	41 15 0	
		16 9 4
		£342 12 6

*Exclusive of Value of Furniture, Fittings, and Library.

Audited and found correct,

} *Chartered Accountants.*

ALFRED P. POPPLEWELL, *Hon. Treasurer.*

The report was adopted.

The following resolutions were passed :—

"That this Society approves the Companies (Debentures and Debenture Stock) Bill, the Limited Partnerships Bill, and the Companies Bill (except as to Clause 23), and urges that all possible steps be taken to place them on the Statute Book."

"That the provisions contained in Clause 23, whereby every limited company would be required to file with the Registrar an annual Balance Sheet, ought not to apply to 'private companies' as defined by Section 39 of the Bill."

The retiring members of the Council were re-elected, except Mr. Nairne, who did not seek re-election, and Mr. W. Bolton was put in his place.

Mr. F. Halsall and Mr. E. D. Whittaker were elected Auditors.

At the Council meeting, held on the same day, the following were elected :—

President—John P. Garnett.
Vice-President—J. Wharton Pollitt.
Hon. Treasurer—G. E. Haworth.
Hon. Secretary—Roger N. Carter.
Hon. Librarian—John Mather.

Builders' Accounts.

By JOHN A. WALBANK, Chartered Accountant, Newcastle-upon-Tyne.

A LECTURE given before the Northern, Hull, Leicester, and Leeds Chartered Accountants Students' Societies.

IN dealing with this subject to-night I propose to take the business of a rather small builder and contractor, for it is simpler to extend a system to larger requirements than to contract a given system to meet the case of a smaller concern. Another advantage I hope to gain by treating the matter in this way is to lay before you a compact set of books, forming a complete system which can be readily grasped and followed.

Cash Book.—A simple Cash Book is all that is necessary, the only columns needed being Discount, Cash, and Bank. A subsidiary book for small petty cash payments will be kept, and this will be analysed monthly and the totals brought into the Cash Book. The majority of these small payments will be on account of different contracts, and to this extent a double posting will be necessary from the Cash Book. It is always advisable to minimise these double postings as far as possible, because an element of danger lurks in them to the extent that one of the two postings may be missed and affect the balance. This point will be dealt with more fully later, but it may be mentioned here that one posting is made to the Contract Ledger and the other to the Contracts (Work in Progress) Account in the General Ledger. It is advisable to enter the Contract Ledger folio in red ink and the General Ledger folio in black ink, as the danger above-mentioned is thereby reduced.

Purchase Journal.—This book (Form 1) is balanced monthly. No Date column is given in the form, the month of the year being written in on the top of the page, but if it was thought necessary a Date column might be added at the left-hand side.

The six "blank" columns in the centre of the book will have the numbers of the contracts on which expenditure is being incurred filled in each month. Should more of these columns be necessary it is, of course, a simple matter to increase same to an adequate number. The Jobbing, Pug Mill, Cartage, and Charges columns being always in use, their respective headings are printed in. Possibly, in certain cases all these columns will not be required; if so, such can be omitted.

After the invoices have been checked and passed, they will be entered up in the Purchase Journal. The total amount of each invoice is entered in the "Total" column

against the creditor's name, and posted to the credit of the Personal Account in the Ledger. This total is then analysed out over the various columns in the Purchase Journal to which it relates.

The wages are analysed monthly over the various contracts, &c. The total wages for the month are entered in the Total column, and the details extended as shown in Form 1. It will be noted that every column carries a certain amount of the month's wages. The Jobbing, Pug Mill, and Cartage items are in respect of the labour in those different departments, while the item in "Charges" includes the office wages and an amount drawn by the principal for supervising. The wages for the month are posted from the "Total" column to the credit of Wages Account in the Ledger, and thus balances the debit to that account (posted weekly from the Cash Book).

After dealing with the month's wages in this way, the work done by the pug mill and carts requires to be dealt with. The men at each pug mill will keep a record of the work they do, as will the carmen. These records will come to the office, and at the month's end will be summarised under the various contract numbers and priced out. An entry is then passed through the Purchase Journal for each, showing the total value of the work done for that month for pug mill and carting respectively; these totals are analysed out over the various contract columns to which they relate. The amount appearing in the "Total" column against Pug Mill is posted to the credit of that account in the Ledger, and the cartage total is similarly dealt with. This method of dealing with these two items enables the builder to see whether he is making a profit or a loss on his pug mill and carting.

On the book being added and proved across at the end of the month, the totals can be posted. For this purpose the totals of the six "blank" or "Contract" columns are added together, and the resulting total noted at the foot; this total is debited to the "Contracts (Work in Progress) Account" in the Ledger. The totals of the remaining four columns are debited to their respective accounts.

After disposing of the "totals" in this way, the Contract Ledger will be posted up. Each of the "blank" columns is posted to the contract number written in at its head; the column in the Contract Ledger, to which each item should go, being indicated in the "Detail" column.

Purchases of plant and other items of the capital nature are not posted through this book, the Transfer Journal being used for this purpose.

Accounts Rendered Book.—This book corresponds to the Sales Journal of a trading concern. It is written up from the invoices before they are sent out and afterwards checked over with the press copies of such invoices as copied in the Press Copy Invoice Book.

In the "Details" column is entered the number of the contract or particulars of the jobbing work done. From the "total" column the amounts are posted to the debit of the respective Personal Accounts in the General Ledger. Each item is extended into either the Contract or Jobbing column. At the end of the month the additions are made, and the total of the Contracts column is posted to the credit of the Contracts (Finished Work) Account, and the Jobbing total to the credit of the Jobbing Account.

Contract Ledger.—The postings of this Ledger (Form 3) are made from the Purchase Journal, Cash Book, and Transfer Journal. Material sent direct to the works will come through the Purchase Journal. Material transferred from any other contract will come through the Transfer Journal. The wages are posted in monthly totals from the Purchase Journal, as already explained.

Comparatively few credits will appear in the Contract Ledger, these only occurring when materials are sent to other contracts or where an amount has been debited to the wrong contract. There is, however, a final credit closing the account which comes through the Transfer Journal (Form 4). These transfers are all made at the end of the year.

At the end of the financial year, after all adjusting entries have been passed, the amounts standing on the various contracts in progress are shown in red ink in the Ledger, and the total of these must agree with the balance shown on the Contracts (Work in Progress) Account in the General Ledger.

General Ledger.—It will perhaps be advisable to explain one or two of the accounts in this Ledger.

Contracts (Work in Progress) Account.—This account is introduced to prove the accuracy of the Cost Ledger, and is really an Adjustment Account. By means of this account an important feature in connection with cost books is attained, *i.e.*, the accuracy of the costs are proved. Perhaps it will not be out of place to draw attention to the fact that unless cost books are balanced the reliance which can be placed on the records is very much reduced.

The account opens with a debit balance, being the total of all the contracts open in the Cost Ledger at the commencement of the year. All purchases of material and all wages paid are debited to this account in monthly totals from the Purchase Journal; the details going to the respective accounts in the Contract Ledger. There will also be a few debits each month from the Cash Book for petty expenses incurred for the different contracts, as already explained.

The balance of the account must agree with the total of the balances extracted from the Contract Ledger, and at the end of each year the completed work is transferred, as illustrated by the first entry in the Transfer Journal (Form 4).

Contracts (Finished Work) Account.—On the credit side of this account appears the total of the contract price of the

various jobs completed during the year. These items are posted from the monthly totals of the Accounts Rendered Book (Form 2). The debit to this account is made up of two items, and comes through the Transfer Journal (Form 4). The first item is the total prime cost of the work finished during the year, and is credited to the Contracts (Work in Progress) Account, and debited to this account. The second debit to the account is the proportion of the general charges of the business applicable to the work finished during the year. There are various methods of arriving at this oncost :—

(*a*) Total Cost System.

(*b*) Time System (*i.e.*, number of hours the workmen are engaged).

(*c*) Wages Paid System.

The objection to the total cost is its unfairness to the contract iuvolving large expenditure on costly materials; for it cannot be correct to make such a contract bear a larger proportion of the establishment charges than another involving the same expenditure of time, and similar in all respects, except in the matter of the value of the material employed. The method of calculating this item on the total hours worked is certainly more correct than the total wages bill, for the time occupied, and not the amount paid, is the true principle to work on. For practical purposes, however, it is much simpler to base the calculation on the total cost.

Wages Account.—It will be observed that this is merely an intermediate account. The weekly wages cheque is debited from the Cash Book, and the account is balanced monthly by the credit from the Purchase Journal.

Cartage and Pug Mill Accounts.—It will be noticed that these accounts are so arranged as to show the gross profit on each department, It is sometimes advisable for certain businesses to introduce further accounts on similar lines, such as Saw Mill Account, Stone Machine Account, &c.

The debits to these respective accounts are posted in monthly totals from the Purchase Journal. A record is kept by the man in charge of each department of the work done, and this is priced out and analysed over the different contracts monthly. The total value of the work done for each month is posted through the Purchase Journal as an invoice; the total amount being credited to the Pug Mill or other account concerned, and the details debited to the various contracts through the Analysis columns in the Purchase Journal.

It is only reasonable that these smaller departments should bear their proportion of the Charges Account; and if it is decided to do this, the second Journal entry in Form 4 will be amended accordingly.

Charges Account.—As before explained, this account contains the general expenses of the business not applicable to any particular contract, but incurred for the benefit of the business as a whole. There will generally be a balance carried forward from the previous year, being the amount of charges on work in progress at the date of the last Balance Sheet. It is possible, in some instances, that it may be decided to write off this balance in the General Profit and Loss Account, and not to carry it forward. There are advantages and disadvantages to this method. The advantage is that a Reserve is thereby created, for the true cost of the work in progress is not shown as an asset since the oncost is not added to the prime cost. The disadvantage is that the percentage of charges on the turnover will, by this treatment, be caused to fluctuate somewhat widely. This will readily be seen if it be remembered that in some years the work in progress at the beginning of the period is much larger than at the end.

Profit and Loss Accounts.—In addition to the General Profit and Loss Account (Form 6), it is necessary to amplify and trace back the profit shown on the contracts. To do this it is necessary to draw up a Contracts Profit and Loss Account, which practically corresponds with the Manufacturing Account of a factory.

A complete illustration of this Contracts Profit and Loss Account is given in Form 5. In the second column is entered the work in progress at the commencement of the year, the detail amount for each contract being shown. To this is added, in the third column, the amount spent on contracts during the year. These two columns together show the prime cost to date of the contracts whose numbers are specified in the first column. The oncost is shown in the fourth column, this being the charges apportioned as already explained. In the seventh column is shown the contract price for each contract completed during the year, and in the eighth column is the prime cost of the work in progress at the end of the year. The fifth and ninth columns show the profit or loss, as the case may be, on each contract, and the difference between the totals of these two columns shows the net profit on contracts for the year. The sixth and tenth columns are merely the debit and credit total columns, and must balance each other.

It might be pointed out that the totals of the second and eighth columns must agree with the work in progress shown on the last Balance Sheet and present Balance Sheet respectively. The second and third columns added equal the debit on the Contracts (Work in Progress) Account in the General Ledger before it is adjusted. The total of the fourth column can be proved with the Charges Account, and the total of the seventh column can likewise be proved with the Contracts (Finished Work) Account.

Balance Sheet.—The Balance Sheet (Form 7) shows, deducted from the work in progress, the total amount which has been drawn on account of work done. This item must be shown in this way as a reduction of the assets, and not included among the liabilities as "Sundry Creditors."

Form 1.— PURCHASE JOURNAL, March 1903.

Folio	Name	Details	Total	No. 37	No. 40	No. 41	No. 42	No. 45		Jobbing	Pug Mill	Cartage	Charges
			£ s d	£ s d	£ s d	£ s d	£ s d	£ s d		£ s d	£ s d	£ s d	£ s d
15	T. C. Jones ..	Timber ..	55 4 9	55 4 9									
28	Fawcett & Co.	Paint ..	14 9 5	5 12 4	1 12 4	5 12 4	..	1 12 5					
375	Wages Account	Masons ..	53 3 7	40 1 0	2 6 6	10 16 1							
"	Do.	Plasterers	61 17 11	34 11 7	27 6 4								
"	Do.	Joiners ..	94 18 8	16 19 1	36 12 8	30 3 6	0 14 2	10 9 3					
"	Do.	Bricklayers	113 10 11	113 10 11									
"	Do.	Cartage ..	17 12 0	..	..	..	..	..		..	..	17 12 0	
"	Do.	Jobbing ..	1 15 3	..	..	..	..	..		1 15 3			
"	Do.	Painters ..	46 3 10	..	33 16 6	8 15 0	2 19 2	0 13 2					
"	Do.	Pug Mill ..	13 4 8	..	..	..	..	..		..	13 4 8		
"	Do.	Charges ..	17 5 1	..	..	..	..	..		..	..	..	17 5 1
		£	1,615 7 11	557 11 2	614 2 2	294 6 5	8 9 10	48 5 6		2 5 11	31 9 2	35 4 4	23 13 5
					1,522 15 1 356					381	382	385	389

Form 2.—

ACCOUNTS RENDERED BOOK.

Date	Name	Details	Fo.	Total	Contracts	Jobbing
				£ s d	£ s d	£ s d
1903 June 5	Robt. Rennison	Repairs at 15 Havelock Street ..	39	18 4 3	..	18 4 3
11	James Morwell & Co.	Contract No. 45	78	773 16 7	773 16 7	
				£2,113 11 9	£1,982 12 11	£130 18 10

Form 3.—

Contract No. 37. CONTRACT

Date	Name	Folio	Total	Land, &c.	Carting	Slating	Plumbing	Excavating	Bricklayers Wages	Bricklayers Material
			£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1903 June 30	T. C. Jones	P.J.	55 4 9	..	..	..	..	..	..	..
"	Fawcett & Co.	P.J.	5 12 4	..	..	..	..	..	..	..
"	Wages	P.J.	205 2 7	..	..	..	..	..	113 10 11	..

LEDGER.

Masons		Joiners		Plasterers		Painters		Date	Particulars	Folio	Credit
Wages	Material	Wages	Material	Wages	Material	Wages	Material				
£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d				£ s d
..	..	..	55 4 9								
..	..	..	..	..	..	..	5 12 4				
40 1 0	..	161 19 1	..	34 11 7							

Form 4.— TRANSFER JOURNAL.

		£ s d	£ s d
1903 Mar. 31	Contracts (Finished Work) Account .. .. .. *Dr.*	18,210 2 2	
	To Contracts (Work in Progress) Account	..	18,210 2 2
	Being Cost of Contracts completed this year now transferred:—		
I.	Contract No. 28	..	1,353 17 3
	Do. No. 29	..	1,154 12 7
	Do. No. 30	..	4,382 17 6
	Do. No. 31	..	469 19 2
	Do. No. 32	..	216 16 4
	&c.		&c.
	Sundries .. .. *Dr.*		
	To Charges Account	..	955 13 3
II.	Contracts (Finished Work) Account	910 0 0	
	Jobbing Account	45 13 3	
	Being Transfer of Charges for Year.		

Form 5.— "CONTRACTS" PROFIT AND LOSS ACCOUNT for Year ending 31 t March 1903.

Contracts	Work in Progress at 1st April 1902	Cost of Work (turnover) this Year	Charges Apportioned	Profits	Total	Contract Price	Work in Progress at 31st Mar. 1903	Losses	Total
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
No. 28	1,152 18 3	200 19 0	67 13 0	127 7 3	1,548 17 6	1,548 17 6	..	..	1,548 17 6
" 29	43 18 8	1,110 13 11	57 14 0	7 2 7	1,219 9 2	1,219 9 2	..	..	1,219 9 2
" 30	1,900 14 9	2,482 2 9	219 2 0	196 12 6	4,798 12 0	4,798 12 0	..	..	4,798 12 0
" 31	233 0 1	236 19 1	23 9 0	..	493 8 2	401 19 8	..	91 8 6	493 8 2
" 32	187 15 4	29 1 0	10 16 0	31 16 4	259 8 8	259 8 8	..	..	259 8 8
" 33	234 5 0	35 11 5	13 9 0	..	283 5 5	260 13 8	..	22 11 9	283 5 5
" 34	14 6 8	1,540 7 11	77 14 0	181 19 7	1,814 8 2	1,814 8 2	..	..	1,814 8 2
" 36	..	676 10 7	33 16 0	..	710 6 7	670 17 10	..	39 8 9	710 6 7
" 37	..	1,163 7 11	58 3 0	360 7 11	1,581 18 10	1,581 18 10	..	..	1,681 18 10
" 38	..	215 3 5	10 15 0	..	225 18 5	214 4 8	..	11 13 9	225 18 5
" 39	..	2,838 17 7	141 18 0	174 9 7	3,155 5 2	3,155 5 2	..	..	3,155 5 2
" 40	..	1,593 9 1	79 13 0	..	1,673 2 1	1,561 11 4	..	111 10 9	1,673 2 1
" 41	..	247 4 2	12 7 0	..	259 11 2	233 15 11	..	25 15 3	259 11 2
" 42	..	274 2 3	13 14 0	25 2 3	312 18 6	312 18 6	..	..	312 18 6
" 43	..	58 13 7	2 18 0	18 0 4	79 11 11	79 11 11	..	..	79 11 11
" 44	..	816 7 11	40 16 0	96 13 11	953 17 10	953 17 10	..	..	953 17 10
" 45	..	696 3 9	34 16 0	42 16 10	773 16 7	773 16 7	..	..	773 16 7
" 46	..	1,372 19 10	..	..	1,372 19 10	..	1,372 19 10	..	1,372 19 10
" 47	..	100 8 8	..	..	100 8 8	..	100 8 8	..	100 8 8
" 48	..	227 8 1	11 7 0	16 3 5	254 18 6	245 18 6	..	..	254 18 6
" 49	..	71 18 1	..	..	71 18 1	..	71 18 1	..	71 18 1
" 50	..	9 0 2	..	..	9 0 2	..	9 0 2	..	9 0 2
" 51	..	43 5 6	..	..	43 5 6	..	43 5 6	..	43 5 6
Charges Debited to Jobbing	..	..	45 13 3						
Charges on Work in Progress Capitalised	..	..	79 17 0						
Profit on Contracts ..	..	..	..	..	..	..	..	976 3 9	
	£3,766 18 9	16,040 15 8	1,035 10 3	1,278 12 6	21,996 6 11	20,096 5 11	1,597 12 3	1,278 12 6	21,996 6 11

Form 6.— GENERAL PROFIT AND LOSS ACCOUNT for Year ending 31st March 1903

	£ s d	£ s d		£ s d	£ s d
To Interest	175 0 0		By Profit on "Contracts"	..	976 3 9
" Bank Charges	48 0 0		" Jobbing Work, Profit	211 8 4	
" Depreciation	152 0 0		*Less* Proportion of Charges thereon	45 13 3	
		375 0 0			165 15 1
" Loss on Cartage	..	25 0 0	" Pug Mill, Profit	..	145 0 0
" Net Profit	..	942 2 8	" Discount	..	55 3 10
		£1,342 2 8			£1,342 2 8

Form 7.—

MR. THOMAS PLANT.

BALANCE SHEET at 31st March 1903.

Liabilities.	£ s d	£ s d
Capital Account—		
Balance at 1st April 1902	1,500 0 0	
Add Interest on Capital at 5% ..	75 0 0	
Net Profit for year	942 2 8	
	2,517 2 8	
Less Drawings	704 13 5	
		1,812 9 3
Creditors—		
On Open Accounts	1,780 0 0	
On Bills Payable	248 0 0	
Accruing Liabilities	30 0 0	
		2,058 0 0
		£3,870 9 3

Assets.	£ s d	£ s d
Plant and Machinery—		
Balance at 1st April 1902	1,229 0 0	
Additions during year	220 0 0	
	1,449 0 0	
Less Depreciation at 10%	122 0 0	
		1,327 0 0
Horses, Carts, Harness, &c.—		
Balance at 1st April 1902	200 0 0	
Less Depreciation at 15%	30 0 0	
		170 0 0
Stock of Stores on hand	..	115 0 0
Work in Progress	1,597 12 3	
Add Proportion of Charges	79 17 0	
	1,677 9 3	
Less Cash received on Account ..	500 0 0	
		1,177 9 3
Sundry Debtors	..	831 0 0
Cash at Bank	175 0 0	
" in hand	25 0 0	
" with Foreman	50 0 0	
		250 0 0
		£3,870 9 3

The Northern Chartered Accountants Students' Society.

Annual Meeting—Report and Accounts.

THE third annual general meeting was held in the Library, 13 Grey Street, Newcastle-upon-Tyne, on the 27th March.

There were present: Messrs. F. C. Squance, F.C.A. (Chairman); J. G. Swan, A.C.A.; J. G. Nixon, Junr., A.C.A.; J. R. Hadaway, A.C.A.; F. R. Dixon, A.C.A.; G. Atkinson (Hon. Secretary); W. G. Vann (Hon. Treasurer), and a fair attendance of ordinary members.

The minutes of the last meeting were read and confirmed.

The Report and Accounts were adopted for the year as follows:—

REPORT AND ACCOUNTS.

The Committee have pleasure in presenting their Third Annual Report.

The number of members at the close of the year was 92, a decrease of one as compared with last year.

	Hon.	Ord.	Total.
Number at April 1 1906 ..	40	53	93
Elected during year	0	13	13
	40	66	106
Resigned during year ..	6	3	9
	34	63	97
Lapsed during year	0	5	5
	34	58	92

There have been nine Committee Meetings held during the year. The attendances are as follows:—

F. C. Squance, F.C.A.	2
T. Wallace, F.C.A.	3
T. Bowden, F.C.A.	3
E. Sparks, F.C.A.	0
F. G. Nixon, Junr., A.C.A.	3
F. R. Dixon, A.C.A.	7
G. H. Barbour	6
E. Sparks, Junr.	5
J. G. Rutherford	5
J. G. Swan	6
W. G Vann (Hon. Treasurer)	8
G. Atkinson (Hon. Secretary)	9

The following Ordinary Meetings have been held during the year:—

1906.

Oct. 10.—Presidential Address. Mr. F. C. Squance, F.C.A.

" 19.—Lecture, "Deeds of Arrangement." Mr. Tinsley Lindley, LL.D.

" 31.—Debate on "Income Tax Reform."

Nov. 14.—Lecture, "The Criticism of Accounts." Mr. W. R. Hamilton, F.C.A.

Dec. 19.—Lecture, "The Preparation of Certificates by Chartered Accountants for purposes of Joint Stock Company Flotation." Mr. A. F. Dodd, F.C.A.

1907.

Jan. 10.—Joint Debate. Three members of this Society went to Leeds to take part in a Debate on "Income Tax Reform."

,, 17.—Lecture, "Builders' Accounts." Mr. John A. Walbank, A.C.A.

,, 30.—Joint Debate with the Law Students' Society on "The Channel Tunnel Scheme."

Feb. 13.—Lecture, "A Dip into *The Accountant*." Mr. J. G. Nixon, Junr., A.C.A.

Mar. 6.—Lecture, "Cost Accounts for Small Manufacturers." Mr. M. Webster Jenkinson, A.C.A.

The Union of Chartered Accountant Student Societies has held one meeting during the year, and your representative Mr. H. H. Bowden, was present.

Your Committee regret that so far no definite result has attended the efforts of the Working Union to obtain for this and other Students' Societies a special grant from the Institute in London for the formation of Students' Libraries.

A series of Educational Classes was started in December last, and twenty-one students joined. A twelve months' course will be worked, Mr. J. G. Nixon, Junr., A.C.A., conducting the classes in Accountancy, and Mr. H. S. Mundahl (Barrister-at-Law) those in Law.

The third annual dinner of the Society was held at Tilley's Restaurant, on Tuesday, 11th December 1906, when about twenty-five were present. Mr. F. C. Squance presided, and was supported by Mr. Thomas Gourlay, Official Receiver, Newcastle-upon-Tyne, and Mr. Edward Clark, Solicitor, Newcastle-upon-Tyne.

The following members of the Society passed the examinations held in May and November 1906:—

Intermediate, May 1906.

G. Atkinson (John A. Walbank), Certificate of Merit.
H. C. Watson (J. A. Sisson), Certificate of Merit.

Final.

E. W. Ismay (A. P. Spence), Certificate of Merit.
J. H. Morton (A. H. S. Glenton), Certificate of Merit.
W. Patterson (T. C. Martin).
J. G. Swan (T. Harrison).
J. Winn (J. A. Gardner).

Intermediate, November 1906.

H. H. Burn (A. H. S. Glenton), Certificate of Merit.
G. H. Barbour (T. Vasey).
U. R. Gerry (W. Davison, Junr.).
W. R. Lowe (T. Eyton).
J. McNeill (A. E. Carr).
J. G. Rutherford (F. C. Squance).
H. W. Waller (T. Wallace).
C. Wright (F. Winter).

Final.

F. V. Spark (E. Sparks), Certificate of Merit.
W. C. Allan (J. H. Armstrong).
C. M. D. Brown (W. Swan).
N. Harrison (J. H. Armstrong).
F. Pragnell (T. G. Bowden).
J. Wilson, Junr. (J. Miller).

In accordance with Rule 11 the whole of the officers and Committee retire.

The representation of the Society on the Working Union having fallen vacant by the resignation of Mr. H. H. Bowden, A.C.A., it will be necessary to elect another representative. Your Committee desire to take this opportunity of acknowledging the valuable services of Mr. Bowden.

Your Committee also desire to place on record their appreciation of the services of Mr. F. C. Squance as President.

F. C. SQUANCE, *President.*

G. ATKINSON, *Hon. Sec.*

Mr. T. Wallace, F.C.A., was elected President, and Mr. J. G. Nixon, Junr., A.C.A., Vice-President, for the ensuing year.

The following gentlemen were elected members of the Committee:—

Honorary Member: Mr. F. R. Dixon, A.C.A.

Ordinary Members: Messrs. G. H. Barbour, J. G. Rutherford, J. G. Swan, A. Bell, and H. C. Watson.

Mr. H. H. Burn was elected Secretary, and Mr. W. G. Vann re-elected Treasurer.

Mr. Roy C. Dunford, A.C.A., was re-elected Honorary Auditor, together with Mr. J. R. Hadaway, A.C.A. (in place of Mr. J. Miller, A.C.A., resigned).

Mr. W. G. Vann was elected representative on the Working Union of Chartered Accountant Student Societies.

Votes of thanks to Messrs. F. C. Squance, F.C.A., J. Miller, A.C.A., R. C. Dunford, A.C.A., H. H. Bowden, A.C.A., G. Atkinson, and W. G. Vann terminated the meeting.

Dr. INCOME AND EXPENDITURE ACCOUNT for Year ending 31st March 1906. *Cr.*

Expenditure.	£ s d Previous Year.	£ s d	£ s d
To GENERAL EXPENSES:—			
Printing and Stationery	6 15 6	3 10 9	
Postages	4 14 6	5 3 6	
Travelling Expenses	13 14 10	10 3 9	
Sundries	0 5 6	0 4 0	
	25 10 4		19 2 0
" JOINT TRANSACTIONS:—			
Balance under-provided for year 1905–6		0 15 1	
Less Sales	0 10 11	0 5 0	
			0 10 1
" UNION OF CHARTERED ACCOUNTANT STUDENT SOCIETIES:—			
Levy of 6d. per member..	2 6 0		1 19 0
" BAD DEBTS WRITTEN OFF:—			
6 Ordinary Members' Subscriptions, 10/6			3 3 0
" PROVISION FOR OUTSTANDING CHARGES:—			
Postages and Printing of Report ..	5 0 0	3 10 0	
Joint Transactions	9 0 0	10 10 0	
	14 0 0		14 0 0
" DEPRECIATION OF BOOKCASE, 10% per annum	0 12 7		0 11 4
" BALANCE CARRIED TO BALANCE SHEET	10 0 11		15 11 3
	£53 0 9		£54 16 8

Income.	£ s d Previous Year.	£ s d	£ s d
By SUBSCRIPTIONS:—			
President	1 1 0	1 1 0	
Vice-President	0 10 6	0 10 6	
37 Honorary Members at 10/6	21 15 9	19 8 6	
58 Ordinary Members at 10/6	28 17 6	30 9 0	
	52 4 9		51 9 0
" ENTRANCE FEES:—			
13 Ordinary Members at 5/-	3 5 0		3 5 0
" ANNUAL DINNER:—			
Tickets sold		10 13 0	
Less Expenses .. .. .. *Loss*	2 9 0	10 12 11	
			0 0 1
" INTEREST ON BANK DEPOSIT ACCOUNT			0 2 7
	£53 0 9		£54 16 8

BALANCE SHEET, as at 31st March 1907.

Liabilities.	£ s d	£ s d
SUBSCRIPTIONS IN ADVANCE:—		
2 Honorary Members at 10/6	1 1 0	
1 Ordinary Member at 10/6	0 10 6	
		1 11 6
Educational Class Fees in Advance		9 15 0
Provision for Outstanding Charges		14 0 0
CAPITAL ACCOUNT:—		
As at 1st April 1906	13 19 11	
Add Surplus of Income over Expenditure for the year to date, as per account annexed ..	15 11 3	
		29 11 2
NOTE.—The transactions relating to the Educational Classes recently formed, being incomplete, are not incorporated in the above accounts, with the exception of the fees received from the Students, which are carried forward		
		£54 17 8

Assets.	£ s d	£ s d
BOOKCASE AND LIBRARY:—		
As at 1st April 1906	5 13 5	
Less Depreciation, 10% per annum	0 11 4	
		5 2 1
UNION OF CHARTERED ACCOUNTANT STUDENT SOCIETIES:—		
Subscription overpaid, carried forward		0 7 6
SUBSCRIPTIONS IN ARREAR:—		
1 Honorary Member at 10/6..	0 10 6	
3 Ordinary Members at 10/6..	1 11 6	
		2 2 0
CASH AT BANK:—		
On Deposit Account £35 0 0		
Add Interest thereon accrued due to date 0 2 7		
	35 2 7	
On Current Account	12 3 6	
		47 6 1
		£54 17 8

Audited and certified correct,

WALTER G. VANN,
Honorary Treasurer.

ROY C. DUNFORD, JOSEPH MILLER, } Chartered Accountants,
Honorary Auditors.

Personal.

MR. T. H. HOGARTH, Chartered Accountant, announces that he has commenced to practise at York City and County Bank Chambers, Lowgate, Hull.

THE partnership hitherto existing between MESSRS. HAYDON & HAYDON has been dissolved by mutual consent as from the 30th April 1907, so far as regards Mr. A. H. PARTRIDGE, who will practise separately at 2 Gresham Buildings, Basinghall Street, E.C. The other members of the firm of HAYDON & HAYDON will continue to carry on business under the same name as heretofore at the same address, 32 Great St. Helens, E.C.

MESSRS. KIDSONS, TAYLOR & EVERETT, Chartered Accountants, have removed to 5–7 Southampton Street, Strand, London, W.C.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday May 10th was 164, viz.:— New Bankruptcy Proceedings published in the *London Gazette*, 87; Deeds of Arrangement registered, 77. The respective numbers in the corresponding week of last year were: Bankruptcies, 82; Deeds of Arrangement, 79—total, 161; being an increase of 3. The total number of commercial

failures recorded during the 19 weeks of the present year is 2,926; the total number recorded in the corresponding 19 weeks of last year was 3,153, showing a decrease of 227.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday May 10th, was 137. The number in the corresponding week of last year was 137 also, showing no alteration. The total number filed during the 19 weeks of the present year is 2,890; the total number filed in the corresponding 19 weeks of last year was 2,894, showing a decrease of 4.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday May 10th amounted to £1,140,547, by way of addition to £1,797,275, previously issued by the same companies. The amount registered in the corresponding week of last year was £2,386,234, showing a decrease of £1,245,687. The total amount registered during the 19 weeks of the present year is £33,836,418 (in addition to the issues in previous years by the same companies), as compared with £31,778,099 for the corresponding 19 weeks in 1906, showing an increase of £2,058,319.

The Profession in Scotland.

Scottish Insolvencies.

For the week ending 11th May the number of insolvencies reported in Scotland was 33, as compared with 32 in the corresponding week of last year. The trust deeds numbered 16, as compared with 18; the sequestrations 6, as compared with 11; and the petitions for cessio 11, as compared with 3. The total number of insolvencies for the nineteen weeks of the year is 542, as compared with 508 in the corresponding period of last year—the trust deeds numbering 261 against 240, the sequestrations 100 against 127, and the petitions for cessio 181 against 141. Of the 16 trust deeds reported during the week, 11 were granted in favour of Chartered Accountants. One voluntary liquidation of a limited liability company was gazetted during the week, making 57 for the nineteen weeks.

The Profession in Ireland.

The Institute of Chartered Accountants in Ireland.

A MEETING of the Council was held at the offices of the Institute, 4 College Green, Dublin, on Wednesday, 8th May, Mr. Robert Stokes, President, in the chair. There were also present Messrs. M. Shaw, W. Fitzsimons, Robt. Walsh, J. H. Woodworth, J. E. Magill, J. M'Cullough, J. M. Kean, M. Crowley, E. McCarthy, J. Harold Pim, and C. G. Mitchell (Assistant Secretary).

The minutes of the last meeting having been read and passed, the applications of candidates for the examinations were considered. It was decided to hold the Preliminary and Intermediate Examinations on the 19th, 20th, and 21st June concurrently at Dublin and Belfast. Mr. C. H. Joynt, Belfast, was admitted an Associate not in practice. The usual quarterly business having been transacted, the meeting terminated.

Annual Meeting.

The nineteenth annual meeting was held at the offices of the Institute on Wednesday, 8th May, Mr. Robert Stokes in the chair. There were also present Messrs. M. Shaw, W. Fitzsimons, R. Walsh, J. H. Woodworth, J. E. Magill, J. M'Cullough, J. M. Kean, M. Crowley, E. McCarthy, J. Harold Pim, A. Klingner, J. Mackie, W. H. Woodworth, P. J. Kevans, and C. G. Mitchell.

The notice convening the meeting and the minutes of the last meeting were read.

REPORT AND ACCOUNTS.

The Council, in submitting their nineteenth annual report and statement of accounts for the year ended 31st December 1906 have to report that the Income and Expenditure Account shows a surplus of £97 8s. 3d.

Examinations were held in Dublin during the month of June, and at Belfast during the months of June and December. Twenty-three candidates applied to be examined, viz.:—

Nine Preliminary,
Seven Intermediate,
Seven Final.

In the Preliminary Examination six candidates passed and two failed, and one candidate did not present himself; in the Intermediate all the candidates were successful; in the Final five candidates passed and two failed.

There were nine articles of clerkship registered during the year, making the total number of articled clerks registered to be 77.

Nine candidates were admitted to membership as Associates, viz.:—

Five in practice and four not in practice.

One Associate was admitted a Fellow.

The total number of members at the close of the year was 76, as follows:—

Fellows in Practice	24
Associates do.	37
Do. not in Practice	15
	76

The Belfast members of the Institute have during the year formed a local Society, under the title of The Belfast Society of Chartered Accountants. Your Council have granted a sum of £50 towards the expenses of formation, with an additional annual grant of £15, believing that this Society will be of great benefit to the junior members of the Institute, and to the members generally.

The following members of the Council retire:—Messrs. J M. Kean, J. E. Magill, J. M'Cullough, and Robert Stokes, but all are deemed to be nominated for re-election under Bye-law 6.

The President, Mr. Robert Stokes, the Hon. Secretary and Treasurer, Mr. J. Harold Pim, and the Auditors, Messrs. William Mayes and W. H. Woodworth, retire, and offer themselves for re-election.

By order of the Council,

J. Harold Pim.
Hon. Secretary and Treasurer.

4 College Green, Dublin.
25th April 1907.

Dr. Income and Expenditure Account for Year ended 31st December 1906. *Cr.*

Expenditure.

	£ s d	£ s d
To Rent	30 0 0	
" Advertising	3 6 3	
" Printing and Stationery	33 14 1	
" Travelling Expenses	45 1 6	
" Examiners' Fees	100 16 0	
" Office Expenses and Sundries	46 14 1	
" Grant to Belfast Office	25 0 0	
" Special Grant for the formation of the Belfast Society of Chartered Accountants	50 0 0	
" Amount now written off for Depreciation on Office Furniture, Fittings, and Library ..	10 0 0	
		344 11 11
" Balance, being excess of Income over Expenditure for this year, carried to Balance Sheet		97 8 3
		£442 0 2

Income.

	£ s d	£ s d
By Entrance Fees—		
1 Fellow	10 10 0	
9 Associates at £10 10s.	94 10 0	
		105 0 0
" Annual Certificate Fees—		
24 Fellows at £5 5s.	126 0 0	
35 Associates at £3 3s.	110 5 0	
2 " for Half-year at £1 11s. 6d.	3 3 0	
		239 8 0
" Annual Subscriptions—		
15 Associates at £1 1s.		15 15 0
" Examination Fees		38 17 0
" Interest on Investments		23 0 2
" Rent		20 0 0
		£442 0 2

Balance Sheet, 31st December 1906.

Liabilities

	£ s d	£ s d
Sundry Creditors		98 0 1
Income and Expenditure Account—		
Balance at 31st December 1905..	873 6 3	
Add—		
Excess of Income over Expenditure for year ended 31st December 1906	97 8 3	
		970 14 6
		£1,068 14 7

Assets

	£ s d	£ s d
£300 Dublin Corporation Stock, cost .. .. (Market Value at this date, £279 0s. 0d.)		320 12 0
£212 5s. 9d. 2½ % Consols, cost .. .. (Market Value at this date, £182 6s. 0d.)		200 0 0
£219 14s. 6d. Guaranteed 2¾ % Stock (Irish Land Act, 1903), cost .. .. (Market Value at this date, £191 19s. 8d.)		200 0 0
£107 19s. 6d. Guaranteed (Mature) Land Stock, cost .. .. (Market Value at this date, £93 8s. 0d.)		100 0 0
Furniture, Fittings, and Library—		
Dublin	93 16 11	
Belfast	15 0 0	
Additions during year	31 16 3	
	140 13 2	
Less amount now written off	10 0 0	
		130 13 2
Stock of Stationery, Bye-Laws and Examination Papers, estimated		10 0 0
Sundry Debtors for Rent		5 0 0
Dividends accrued due		11 14 7
Cash in National Bank, Lim.	86 5 3	
" hands of Hon. Treasurer	4 9 7	
		90 14 10
		£1,068 14 7

We have examined and vouched the foregoing Accounts, and find same to be correct.

DUBLIN, 14th *April* 1907.

William Mayes
W. H. Woodworth } *Auditors.*

The Chairman, in moving the adoption of the report and accounts for the past year, said, I think there is little need for me to go into a lengthy explanation of the items; they speak very much for themselves, and compare favourably with the previous year. However, to refer generally, I may state that the receipts were greater and the expenditure for ordinary purposes—leaving out the special grant of £50 to Belfast—less; but even taking this grant into account, our surplus income was larger than last year, and I am glad to say our investments have slightly increased. The number of candidates who came up for examination was practically the same as last year, but there were nine articles of clerkship registered, as against three in 1905, thus bringing the total number of articled clerks registered up to 77. I may state for your information that out of this total 55 were registered in Belfast, which points to the fact that accountancy is more popular as a profession in that city, or possibly there is more scope for it. You will also observe from the report that the Belfast members have formed a local Society of Chartered Accountants, I presume much on the same lines as similar Societies in most of the large towns in England, which I feel sure will prove of great benefit to the junior members of the Institute and students, particularly having regard to the library and the proposed lectures. You will see from the following extract I have made from their rules and regulations the main objects in view are:—

> "To protect the character, status, and interests of Chartered Accountants, to promote honourable practice, to repress malpractice, settle disputed points of practice, to arrange for lectures, to promote personal acquaintance and good feeling, to encourage proficiency in accountancy, and numerous other objects."

I think you will agree with me that several of the objects I have mentioned will also greatly benefit the parent Institute by assisting it to bring into line members who are not disposed to adhere strictly to the bye-laws. I may here mention that questions as to the violation of the bye-laws are continually coming before the Council, and some of you, no doubt, are aware that last year one of the members was excluded from the Institute for the offence of advertising and touting. The Council are determined to take strong measures where members persist in transgressing the bye-laws, either openly or by subterfuge. I am sorry to say the latter mode is very often resorted to. Dublin might with advantage follow the example of Belfast, and form a local Society if the number of members and students warranted them doing so, but if you refer to the last list of members you will find that there are only 25 members in Dublin as against 43 in Belfast, and these numbers do not take into account the articled clerks, which in Belfast, as I have before stated, largely exceed those of Dublin. Then there is the question of etiquette in the profession. I think there are many points that might be usefully discussed by the members, which might bring about a better understanding. For some time past the Council have had under consideration the amendment of the present bye-laws of the Institute, and the time taken in bringing them into shape has been much longer than was anticipated. Your Hon. Secretary has had to devote a considerable amount of attention to them, with your solicitor and counsel, over the numerous amendments, and I think you will find the proposed new bye-laws generally improved. It is intended to send a copy to each of the members for their approval, after which it will be necessary to get them approved by the Council, and afterwards adopted at two successive general meetings of the Institute. I would be pleased to see a greater number of those who have passed their Final Examination join the Institute, and not remain out of the fold until such time as they commence to practise. To encourage this it is proposed in the new bye-laws to reduce the entrance fee for Associates not in practice to five instead of ten guineas, a further sum of five guineas to be paid on the member commencing to practise. There has been no meeting in London during the year of the Joint Committee of Chartered Accountants, and I regret no steps have been taken to put the profession generally on a better footing, but I am fully alive to the difficulties there are to contend with. The number of new Societies springing up, composed of members who, with few exceptions, are not eligible to enter any of the Chartered bodies, are legion, and must be most confusing to the general public. There is no doubt the term "Chartered Accountant" has, if I may say so, a considerable amount of goodwill attached to it, and will always carry weight with the public.

Mr. M. Shaw (Belfast) then gave a short account of the doings of the Belfast Society since its inception.

The report and accounts having been adopted, the following officers were elected, viz.:—

President, Mr. Robert Stokes (re-elected). The retiring members of the Council, Messrs. J. M. Kean, J. E. Magill, J. M'Cullough (re-elected). Hon. Secretary and Treasurer, Mr. J. Harold Pim (re-elected). Auditors, Messrs. Wm. Mayes and W. H. Woodworth (re-elected).

With a vote of thanks to the Chairman the meeting terminated.

The Middle Temple.

It is somewhat difficult to learn aught of the origin of the Middle Temple. Though it was no doubt in existence before then, the books of the Templars only go back to the 16th year of the reign of Henry VII. (1500-1) when one John Brooke seems to have been Treasurer. It was enacted somewhere about that time that members of the House might be excused from living in Commons on account of their wives being in town, or for some other special reason.

In the reign of Queen Mary eight gentlemen of the Temple were expelled the Society and committed to the Fleet for wilful disobedience to the Bench, but on their humble submission were finally readmitted. In 1557 an Act of Parliament was passed which would have warmed the heart of Frank Richardson. It prohibited beards of more than three weeks' growth, and barristers were ordered to abandon the wearing of Spanish cloaks, swords, bucklers, rapiers, gowns, hats, or daggers at their girdles.

It was in the Hall of the Middle Temple that Shakespeare's "Twelfth Night" was given a second production, some six months after its first appearance at the Globe Theatre. "At our feast," says Manningham, a barrister of Elizabethan fame, in his diary under date February 2nd 1601, "we had a play called 'Twelfth Night, "or What you Will,' much like the 'Comedy of Errors,' "or 'Menechmi in Plautus,' but most like and neere to that "in Italian called 'Inganni.' A good practice in it is to "make the steward believe his lady widdowe was in love "with him by counterfayting a letter as from his lady, in "generall terms telling him what shee liked best in him," and so on. The revels in the Middle Temple were most gorgeous and merry, the feasting being attended with much ceremony. Sackbuts, cornets, and recorders heralded the arrival of every course.

In January 1678 a great fire broke out which destroyed the whole of Pump Court, Elm-Tree Court, Vine Court, and part of Brick Court. The night was intensely cold, and no water could be obtained. The Templars, therefore, fed the engines with barrels of ale. The beer did but little good, and recourse was had to gunpowder for blowing up the buildings in immediate danger. Amongst those whose names are to be found in the books of the Middle Temple we find Edmund Burke, Richard Brinsley Sheridan, Sir Walter Raleigh, Wycherley and Congreve, Blackstone, Eldon L.C., and Lord Stowell.

(*Law Clerk.*)

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1907	4%

Nelson's Library.—Messrs. Thomas Nelson & Sons have now issued the first four volumes of the above library, which will consist of the best copyright novels of the present day issued in most neatly-bound and well-printed little volumes at the extremely low price of 7d. each. The following are announced as the first twelve volumes of this library:—"The Marriage of William Ashe," by Mrs. Humphry Ward; "The Intrusions of Peggy," by Anthony Hope; "The Fortune of Christina M'Nab," by S. Macnaughtan; "The Battle of the Strong," by Sir Gilbert Parker; "Robert Elsmere," by Mrs. Humphry Ward; "Quisanté," by Anthony Hope; "No. 5 John Street," by Richard Whiteing; "Incomparable Bellairs," by Agnes and Egerton Castle; "The History of David Grieve," by Mrs. Humphry Ward; "The King's Mirror," by Anthony Hope; "John Charity," by H. A. Vachell; "Sir John Constantine," by "Q."; and these will be followed by other copyright novels by the best modern authors.

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LAW REPORTS.

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Leading Articles.

Bankruptcy Reform.—IV.

THE pressure of events of more urgent importance has compelled us to postpone until the present time our comments upon the concluding article on Bankruptcy Reform, by Mr. ALLEN EDWARDS, F.C.A., which appeared in our issue of the 30th March last.

In the instalment now under review the writer deals with the important subject of officialism, and contrasts unfavourably the results produced by Official Receivers with those obtained by professional accountants possessed of a wide experience of insolvencies. So far as our readers are concerned, Mr. EDWARDS is, of course, preaching to the converted, for there is, we imagine, not a single practitioner, nor a single business man who has any knowledge of accountancy methods, who is not convinced that the system of officialism

as applied to the realisation of insolvent estates is bad in principle. So bad is it that, in spite of the fact that the great majority of Official Receivers discharge their duties admirably, they cannot discharge them to the satisfaction of creditors, by reason of the fact that, like all other officials, they are so tied up by departmental regulations that it is impossible for them to act promptly and to advantage.

Mr. EDWARDS confines his arguments upon the subject largely to a collection of the views expressed by other bodies. This plan has the advantage of giving his utterances additional weight, but from our point of view it somewhat deprives them of interest, because it deprives them of novelty. Doubtless the majority of our readers are already well acquainted with all the old arguments and all the old denunciations against officialism. The subject has, however, by no means yet been exhausted; and were any useful purpose to be served thereby, we imagine that most practitioners of experience could, out of the material in their respective offices, produce, with chapter and verse, a far more telling case against the system of officialism than any of the generalities that have yet been published. The obvious objection to such a method of attack is, however, that it would invariably be regarded as a personal attack upon the Official Receivers concerned in the cases cited, whereas—in at all events the great majority of instances—it is the system that is at fault, and not the individual official. At the same time it is to be feared that all these denunciations represent so much energy wasted, in that there is not the least likelihood that the existing system will be abandoned. Even supposing the Committee now sitting should unanimously report against officialism, we may be quite certain that that would not of itself bring officialism to an end. A Committee at least equally important and representative reported nearly four years ago against the existing system of official audit of the accounts of local authorities, but the last Government simply announced its intention of not acting upon that report, and there is every reason to believe that the present Government will shortly evolve a scheme for extending the system of official audits. Parliamentary and Departmental Committees receive the utmost attention when they report in favour of the course that commends itself to the permanent officials who "run" the various Government Departments, but if their recommendations are adverse to those Departments, of course nothing is simpler than to ignore them and allow the existing state of affairs to continue unaltered.

For these reasons it is, we are convinced, hopeless to expect that any material improvements will be effected in the present methods of insolvency procedure. It may be hoped, however, that a concise statement of the evils of this procedure, showing *inter alia* how much greater is the expense involved than was anticipated at the time of its introduction, may at least serve the useful purpose of rendering any further extension of officialism impracticable for the time being; and in that way, if in no other, much good may come of the collection of arguments put forward by Mr. ALLEN EDWARDS in his concluding article.

There is one somewhat important point, however, which does not appear to be touched upon, and that is, even supposing that the existing system must be retained, there is obviously not a single word to be said in favour of the highly undesirable practice that has grown up of late years of seriously delaying

the order of adjudication and the completion of a trustee's appointment after the usual resolutions have been passed by creditors in favour of adjudication and appointing a professional accountant trustee. It is not overstating the case to say that every day's delay in the completion of the trustee's appointment may mean serious pecuniary loss to the creditors, and will undoubtedly increase the chances in favour of the dishonest debtor who is desirous of withholding valuable assets from his trustee. The longer the period during which the trustee can be prevented from getting at grips with his work, the greater are the facilities enjoyed by the fraudulent debtor to cover his tracks, and the legal fiction as to the relation back of a trustee's title in many cases proves no adequate compensation to be weighed against this serious and practical disadvantage. When creditors have once decided in favour of an adjudication, the order of the Court ought to follow as a matter of course on the following day; and it ought to be possible for insolvency practitioners, by giving the Board of Trade in advance sufficient security, to take up the certificate of their appointment within twenty-four hours from the date of the creditors' resolution. These suggestions would, of course, involve no new legislation, but merely a reasonably honest and reasonably businesslike carrying out of the provisions already made by Parliament. Were they to become usual, creditors would be spared losses arising (say) through a landlord levying a distress and selling before it is possible for the trustee to make arrangements to pay him out; and it would be possible for the trustee to substitute an effective taking possession of assets for the very perfunctory system frequently employed by Official Receivers, who have been known even to leave the debtor in charge of the assets without so much as taking the precaution to have them first inventoried.

An even greater abuse, so far as creditors are concerned, arises in connection with estates whereof the professional trustee has obtained his release. In such cases the trusteeship reverts to the Official Receiver, and, no matter what subsequently transpires, the creditors are precluded from appointing their own trustee, and are obliged to depend upon the Official Receiver for the collection of after-acquired property or of assets which were not disclosed and not discovered by the professional trustee during his tenure of office. The result is that, if any trouble or risk is involved, the bankrupt remains in possession of these assets, and the creditors get nothing; a state of affairs entirely contrary to the spirit of the Bankruptcy Acts, which, it must surely be admitted, is to the effect that creditors shall be allowed to select their own trustee to realise and distribute the estate.

The position is all the more serious in that the possession of assets frequently results in an undischarged bankrupt obtaining considerable credit; with the result that, sooner or later, he fails a second time, when whatever assets he may be possessed of pass to the Official Receiver as trustee in the first bankruptcy, leaving the second set of creditors entirely in the cold, and without any means of making an equitable arrangement with the first set of creditors for the recovery of assets and their distribution upon a reasonable basis. If a professional trustee could be appointed of all closed estates, provided even a three-fourths majority of creditors so desired, this serious abuse would be readily avoided; and the point might well be conceded by Official Receivers

who seem to make it a point of honour never, under any circumstances, to do any work in connection with such estates.

Capital Account of Sole Trader.

IN a letter which we reproduced in our issue of the 11th inst. "NEWMAN NOGGS" raised an interesting question as to the best method of dealing, in the books of an individual trading alone, with miscellaneous investments outside that business, and the income derived from them, assuming that it be desired to record all transactions in the same Ledger.

But for this assumption, we should say without hesitation that, unless the private investments were quite trifling in amount, the best, and indeed the proper, course would be to restrict the business books to a record of business transactions, and to open a separate Ledger to record the private investments of the proprietor, including *inter alia* his investment of capital in his business, so that his Capital Account in this Ledger might represent a complete statement of the whole of his wealth, and the Profit and Loss Account in that Ledger a complete statement of all income from whatever source derived, and of personal expenditure. Were this plan adopted, it would be seen that the complete financial position of the proprietor could be readily observed upon perusal of a single Ledger, namely the Private Ledger; whereas the business Ledger would very properly deal only with those matters relating to the business of which the bookkeeper employed by the business might be reasonably regarded as cognisant, and as called upon to account for.

If, however, it be determined not to employ this particular method of accounting, the choice of necessity falls between keeping no record whatever—in the business books or elsewhere—of the private investments, and incorporating these transactions in the business books along with the others. The first method may, we think, be ruled out as being obviously undesirable; and no very material improvement would be effected upon it by the introduction of memoranda records, which would take at least as much trouble in keeping as a distinct Private Ledger upon the lines already advocated, without providing any of the safeguards or most of the conveniences to be obtained from the use of accounts systematically kept.

If the private transactions are to be recorded in the business books, the choice appears to lie between mixing them up with the business transactions—that is to say, treating the investments as investments of the business, and the income derived therefrom as business income—or earmarking the accounts in some way so that it may be possible to prepare distinct Balance Sheets and Profit and Loss Accounts in respect of both the business and the private investments. Theoretically, of course, there is not the least difficulty in keeping in the same Ledger two sets of accounts which are absolutely distinct from each other, and built up into different Balance Sheets. The practical difficulty in so doing would be to avoid errors in balancing arising through transfers from one series of accounts to the other which had not been completely recorded by double-entry in both series of accounts. If, however, different sections of the Ledger be allocated to the accounts relating to the business and to the accounts relating to the private investments, there would appear to be no insuperable difficulty in the way of keeping in the Business Ledger

what for all practical purposes are the accounts that would have been kept in the Private Ledger previously advocated, had such a book been employed. The two sections of the Ledger must, of course, be made independently self-balancing; but no difficulty would arise in connection with that, for the Capital Account and the Drawings Account in the business section of the Ledger would link up with the "Investment of Capital in the Business Account" and "Income derived from the Business Account" in the Private Ledger, in exactly the same way as the accounts of a Branch and a Head Office are customarily linked together by the Head Office Account and Remittance Account in the one, and the Branch Account and Remittance Account in the other. If a series of transactions be properly recorded by double-entry in two Ledgers for the sake of convenience, as, for instance, a Branch Ledger and a Head-office Ledger, if it be desired, those two Ledgers might be bound together into one book, and the method of keeping the accounts would be in no way altered in consequence, save, of course, that the record might possibly be simpler by being so condensed, if desired. If, however, it is desired to have the benefits and conveniences of two Ledgers while at the same time only one Ledger is to be permitted (a strange requirement indeed, but one by no means impossible of performance), the solution would appear to lie in the direction of mentally dividing that Ledger into two sections, and of treating each section as a distinct Ledger framed upon self-balancing lines.

In conclusion we may mention, however, that for obvious reasons most business men prefer to keep their private affairs out of their business books. Even assuming there be no objection to the business staff becoming acquainted with matters entirely outside the business, it is obvious that a Business Ledger disclosing purely private concerns might become embarassing if at any time it were desired to take a partner, to make a claim for compensation, or to sell the business to a joint-stock company.

Revenue.

WE have purposely delayed commenting upon the letter from Mr. J. B. SMITH, of Melbourne, which appeared in our issue of the 13th ult., in the hope that some interesting correspondence might be encouraged by this communication. Save, however, for a not very illuminating comment on the part of Mr. SWAINSON, the matter appears to have passed unnoticed, yet it is undoubtedly of very considerable importance to all interested in accountancy that terms used in accounts should possess clear and generally accepted meanings.

From the illustrations cited by our correspondent it is clear that the word "revenue" has not always been employed in the same significance. For most purposes it is employed to represent that which is distinct from and definitely contrasted with Capital, but, as our correspondent points out, the Revenue Accounts in the prescribed forms for building societies and life insurance companies can hardly be so described. And under these circumstances it seems perhaps worth while to go back to the root of the matter, and inquire in the first instance what were the original meanings attached to words that are now commonly used in connection with accounts, and then, if possible, to determine the extent

to which any additional or technical significance may have become attached to them.

The root meaning of the word "revenue" is undoubtedly "that which comes again; that which comes back or returns"; thus suggesting the idea of something that comes in accordance with expectation. Thence we arrive, by an easy transition, at the idea of revenue as being that which is received as a result of outlay—whether it be an outlay of Capital for equipment purposes, or such an outlay as is necessarily connected with every business in order to induce receipts, which, leaving behind it no tangible result, must be set off against those receipts in order to arrive at true profits, and which, therefore, is commonly spoken of as Revenue Expenditure. Whereas the receipts being in many cases not immediate receipts in cash, but, owing to the operations of a credit system frequently postponed by mutual arrangement, are commonly spoken of as Revenue Earnings, to more clearly express the idea that the amount taken credit for under this heading has not necessarily been already received in money.

This brings us to the term "earnings," another interesting word which would appear to have very materially altered its meaning in course of use. Originally the word was identical with "ear," as applied to an ear of corn, and it appears, therefore, to represent the idea of that which grows, or spontaneous wealth. Inasmuch, however, as the wealth derivable from the earth (a word possessing the same root) may be materially enhanced by tillage, the word "earnings" has since been employed rather to express the idea of the wealth obtainable by labour upon the land, which is, of course, as different as possible om the unearned increment arising from the spontaneous growth of nature. This dual meaning of the word "earnings" may be commended to the notice of the Chancellor of the Exchequer as showing how particularly unfortunate is his proposition to distinguish between the taxation of earned and unearned incomes. For our present purposes, however, we may take it that "earnings" is a good term to express increases of wealth, whether arising as a result of human endeavour or from natural increase, and that the term "revenue earnings" well expresses such results brought about by a deliberate and wise expenditure beforehand.

A somewhat different meaning may, however, be given to the word "revenue," as suggesting that which comes again in the sense of that which repeats itself; and undoubtedly this idea of systematic repetition at due seasons is one of the essential properties of revenue, and for practical purposes one of the best tests of that which may be prudently divided or spent as such.

The word "income," which is frequently used as being for all practical purposes synonymous with Revenue, is, of course, much less pregnant with meaning—that which comes once, and never again. And thus there is no suggestion of recurrence about the word "income" *per se*, neither does it suggest that the wealth has come in as a result of any course of action or of thought upon the part of the recipient; yet at the present time, strangely enough, the term "income" is often regarded as more clearly expressing the idea of true net profits than revenue.

With regard to the term "profit," this originally meant a making or a moving forward, thus suggesting an advancement in life or an increase in wealth or position; in which sense it would appear to coincide rather with "savings," or the

excess of income over both business and personal expenditure, rather than with the use to which the term is at present very generally put, as representing merely the excess of income over business expenditure, and therefore the amount that the owner is free to deal with as he thinks fit, whether it be to spend or to save.

It will be seen, therefore, that these four words, "revenue," "earnings," "income," and "profit," which are often loosely employed at the present time as being practically synonymous, represented originally essentially distinct ideas, and it is perhaps to be regretted that we should now find ourselves more or less committed to a nomenclature which is inexact without having even the merit of being precise. It is no doubt too late in the day to begin *de novo* to formulate and codify a set of technical terms suitable for accounting purposes which will, in their ordinary and natural significance, express the ideas which, when employed in accounts, it is desirable that they should have. We are, it would appear, more or less committed to the continued use of these expressions, and if our use of them be not in accordance with the real meanings of the words, the fault can seemingly only be got over by attaching an agreed conventional or technical significance to the terms when used as terms in accounting. There would be no practical convenience arising from this course were the conventional meanings universally or even generally admitted, but when one finds the same terms employed to express quite different ideas in different Acts of Parliament, the result is, to say the least of it, confusing. The confusion arising out of the employment of the four terms is, however, as nothing compared with that resulting from the loose and often inaccurate employment of the terms "reserve," "reserve fund," "sinking fund," &c. At the same time it would no doubt be of great ultimate advantage if the technical terms commonly used in accounting could be authoritatively defined, and steps taken to restrict their employment to circumstances under which they were suitable.

Weekly Notes.

Railway Shareholders. At a meeting of the Great Central Railway (Southern Division) Debating Society, held at Nottingham on the 26th March last, a speech was delivered by Mr. Sam Fay, the general manager of the company, an extract from which has been printed and circulated. From this we observe that upwards of one hundred millions of money invested in railways in this country to-day does not yield a dividend to the shareholders. It would be interesting to inquire to what extent this surprising state of affairs is due to bad finance and to Capital Account being overloaded with abandoned assets, and to what extent it is due to a cutting down of rates below a reasonable profit-earning scale. In all probability both causes have been at work; but, however that may be, the result is anything but satisfactory to the holders of the stocks in question. The one cause for congratulation with regard to the whole matter appears to be that the lost capital—for it must presumably be so regarded—has been provided by private individuals, and not by the State. But that, of course, is the point of view of the community, and not the point of view of those immediately concerned, who not unnaturally consider that it ought to be possible to increase railway rates so that they may receive a reasonable return upon capital invested in enterprises that exist as much for the benefit of the public as for private gain.

Professional Auditors and Local Authorities. A short time since, when discussing the conditions under which the Bromley Town Council invited applications for the post of professional auditor, we pointed out that for such an appointment to carry weight the exact duties to be performed by the auditor ought in all cases to be left in his discretion. Our contemporary *The Municipal Journal*, in commenting upon these views, states that our claims are not only untenable, but are also devoid of tact. Local authorities, we are told,

have no intention of abdicating their functions in favour of Chartered Accountants. We are not aware that we ever asked or expected any local authority to depute a Chartered Accountant to exercise any of its functions in supersession to the authority itself. If our contemporary were familiar with our views upon the subject of audits, it would be well aware that we have always held that it is no part of an auditor's duty to express any opinion upon the ability or want of ability with which the business whose accounts he is auditing has been conducted. But, at the same time, it is obvious that if the accounting party is to decide to what extent its accounts are to be submitted for audit, and to what extent the audit is to be whittled down to a mere farce by the issue of restrictive and belittling instructions, it is clear that the money spent upon audit fees will be thrown away, except in so far as it may serve as a deterrent against fraud upon the part of employees occupying a comparatively subordinate position. The directors of a limited company have no power to limit the investigations of an auditor, and it is for this reason that the accounts of companies when audited by a reputable firm of accountants are regarded as being a proper statement of the position of affairs. If local authorities wish their accounts to be similarly regarded, it is obvious that they must submit them to the same test. We repeat, however, that inquiries into the ability with which a business has been conducted are entirely outside the scope of any audit, and that, therefore, an audit conducted upon proper business lines would in no way interfere with the powers, the functions, or the dignity of a local authority. It is only district auditors who conceive it to be part of their duty to make inquiries as to why A.'s tender was accepted instead of B.'s; and even with regard to district auditors, it has, of course, now been held that such inquiries are *ultrâ vires*.

The Ealing Electricity Accounts. We gather from our contemporary *The Ealing Gazette* that a member of the Committee of the Ealing Ratepayers' Protection Association has discovered that certain officials and ex-officials of the Corporation receive their supply of electricity gratis, or at a considerable reduction from the normal rate. The Elective Auditor, upon being invited to explain this apparent irregularity, has, we are informed, stated that the circumstance was no doubt taken into account in fixing the salaries of these officials, and that all omission thereof from the Year Book has been dictated by considerations of simplicity in the accounts. While recognising that transfers from one department to another representing the value of electricity supplied to the officials employed in these various departments would undoubtedly serve to complicate the accounts, we may point out that, where remuneration is partly in money and partly in kind, a record that deals only with the money part of the transaction is misleading, by virtue of its incompleteness. It is, of course, well known and generally understood that certain appointments carry with them certain concessions in kind, but where those concessions are granted not at the expense of the department to which the employee is attached, the situation is by no means so obvious, and calls for special reference before it can be said that a reasonably full disclosure has been made. For our own part, we must confess that we can see no object in permitting such concessions to employees unless they form part of an allowance upon a more wholesale scale, as, for instance, when an employee is provided with free quarters, which might, of course, very naturally include free fuel and free lighting.

The Director's Qualification. A somewhat important point was recently settled by Mr. Justice Kekewich upon a motion in *M'Cardie and another v. William Sharpe & Son, Lim., and others.* The plaintiffs sought to restrain the defendants from acting as directors of the defendant company, while the defendants claimed that the plaintiffs had vacated the office of directors because they had not paid a proportion of their shares as provided by the company's articles of association, under which the office of director was stated to be vacated if a director did not pay to the company on each of the shares taken or contracted to be taken by him as qualification or otherwise, and for which he was liable to pay in cash, a proportion equal to the proportion payable on application and allotment of shares offered for subscription within fourteen days after the same shall have become due from him. The plaintiffs claimed that there had been no default upon their part, as they had never been asked to pay anything, while the defendants urged that as they had signed the memorandum of association they became *ipso facto* liable to a payment of five shillings per share. His Lordship held that as nothing had been demanded from the plaintiffs, nothing was due, and he therefore granted the injunction asked for against the defendants other than the company, the motion to be treated as the

trial of the action. The decision clears up a point upon which some doubt may hitherto have existed, and clearly provides that there must be formal application by the company before it can be said that there has been any default on the part of the shareholder. The same ruling would obviously apply in cases of forfeiture for non-payment of calls.

The Law Affecting Partnership. With reference to the letter from our correspondent "Articled," on the subject of the lecture of Mr. Lawrence J. Kirkham, which appeared in our issue of the 20th ult., we should like to point out that the decision *Re Budgett* (*Accountant* Law Reports, XX., p. 115) is purely exceptional, and applies only where there is no joint estate. Section 40 (3) of the Bankruptcy Act, 1883, embodies the rule as to the distribution of joint and separate estates laid down by Lord King in *Ex parte Cook*, and adopted by Lord Loughborough's order of 1834. It does not, however, affect the exception to that rule recognised by a long course of authorities, namely, that joint creditors may prove and receive dividends out of the separate estate of a partner in competition with separate creditors, provided there is no joint estate and no solvent partner who can be sued. Clearly, however, these conditions—the absence of joint estate and of a solvent partner—must exist before the exception to the rule applies.

The Sheffield Society of Chartered Accountants. The Sheffield Society of Chartered Accountants has forwarded to us a copy of its rules for the government of the Branch Library, with a catalogue of the books comprised therein. The arrangement of this catalogue is excellent, and the selection of works extremely good, although, of course, capable of considerable extension with advantage. It contains, however, all those works most likely to be in frequent demand, and will, therefore, no doubt be found invaluable both to Sheffield Chartered Accountants and to their articled clerks.

The Assessment of Depreciation. In our Correspondence columns during the past few weeks some letters have appeared urging that a competent engineer is the proper person to employ to determine the provision to be made in respect of the depreciation of plant and machinery. We agree that such an engineer is the only person who can even approximately compute the estimated working life of such assets and their probable residual value, both of which are essential factors in connection with any reliable calculation, but we altogether dissent from the suggestion put forward by our correspondents Mr. Geo. Swainson and Mr. H. Sherley Price that the engineer unaided is competent to assess the money figure that ought to be charged against profits as depreciation from year to year. Individual engineers may possibly be competent to perform this task, in the same way that individual accountants may be competent to estimate the working life of machinery, but as the last named falls properly within the engineer's province, so is the first equally clearly accountants' work. There are many factors besides those that fall under the cognisance of the engineer that have to be taken into account in assessing depreciation, and *a fortiori* in connection with the depreciation of assets owned by local authorities, and with regard to these the accountant is obviously the proper person to be consulted. Auditors would doubtless in all cases welcome the relief from responsibility that would result from the systematic appointment of engineers, but they must remember that they can only relieve themselves from responsibility when accepting the opinions of experts upon matters on which they are experts, and an engineer as such is not expert on assessing the proper provision for depreciation, although, of course, he is expert in assessing current values, the working life, and the ultimate residual value of plant and machinery.

Commercial Union Assurance Company, Lim. The various departments of this company show a net premium income for the year ending 31st December 1906 as follows:—

Fire	£2,361,051
Marine	233,830
Accident	196,993
Life, including Annuities	352,833

The losses on the Fire department amounted to 78·8 per cent. of the premium income, but the San Francisco earthquake is responsible for 33·7 per cent. of these. The balance carried forward on Profit and Loss Account, after providing for a dividend, free of tax, of six shillings per share and reserving for a similar dividend for 1907 (interim), is £8,816. The total funds of the company and subsidiaries amount to £12,658,927, of which freehold premises are set down at £707,999. The report contains little save a bare summary of the figures, but no doubt the shareholders require nothing more than such good showing and such consistent dividends.

The Licenses Insurance Corporation and Guarantee Fund, Lim.

The net premium income of this company for 1906 was £101,604, claims paid and management expenses, &c., amounting to £35,058. The balance of Profit and Loss Account, £12,031, is to be applied in payment of a dividend on the ordinary shares of 6 per cent. for the year, free of tax, which will involve £4,127, and £7,904 will be carried forward to the next account. The funds of the company amount to £218,866. The directors, not unnaturally, ask that the licensed trade should be regarded with unprejudiced eyes, and we commend the report to the notice of those persons who are ultra anti-everything.

Profits and Income Insurance Company, Lim.

The accounts for the year ending 31st December 1906 show that the net premium income on Life Account was £15,717, an increase on the previous year of £2,778. The total Life Fund was £33,421, being an increase of £9,450 over the figures in the last account. The directors hope that, if the present rate of increase is maintained, they will soon be able to claim the £20,000 deposited with the Government. The net premium income of the Profits, Income, and General Account amounted to £45,448, which figure was £12,557 in excess of the previous year. The claims paid, surrenders, commission, and management expenses absorbed £42,300, and the fund at the close of the period was £11,401. The directors have applied the available balance of Profit and Loss Account as follows:—

Dividend of 5 per cent., free of tax, on the ordinary shares	£250
Writing down Business Purchase Account	500
Carry forward..	397

The outlook for the company appears to be distinctly bright, and it may safely be assumed that the directors are not likely to let the grass grow under their feet.

Alliance Assurance Company, Lim.

In the Life Account of this company for the year ending 31st December 1906 the net premium income was £440,386, the sums assured under 2,000 new policies being the largest amount of new life business transacted by the company in any one year. After deducting bonuses paid in cash during the year, together with all claims, surrenders, commission, and expenses of management, the Life Assurance Fund amounts to £4,696,004, being £318,327 in excess of the previous year. The premiums on Fire Account amounted to £1,284,939, ordinary losses costing £573,009, and the San Francisco earthquake involving £255,315, exclusive of £211,027 not yet admitted. Expenses of management and commission amounted to £478,452, and the total Fire Fund at the close of the period was £2,355,235. A dividend of 10s. per share has been declared, and the balance of Profit and Loss Account (£256,418) has been carried forward. A feature of the Balance Sheet is the admirable manner of arranging the figures in tabular form.

Callender's Cable and Construction Company, Lim.

The available balance to the credit of Profit and Loss Account at 31st December 1906, after taking into consideration a balance of £38,921 18s. 11d. brought forward from 1905, was £119,695 6s. 7d. After providing for interest on debentures, preference dividends and depreciation, the directors propose to deal with the balance—£82,972 3s. 9d—as follows:—

Dividend on Ordinary Shares at the rate of 10 per cent. per annum, free of Income Tax	£17,500	0	0
Bonus of 5s. per share	8,750	0	0
Carry forward to next account ..	56,722	3	9
	£82,972	3	9

These results must be highly gratifying to the shareholders, and a successful meeting on the 30th inst. seems assured. The assets of the company stand at £1,149,795 11s. 1d., while the floating liabilities are no more than about £275,000, the goodwill and patents being entered as "nil."

The New Companies Bill.

The report on the Companies Bill was further considered by the House of Lords early last week. The following new clause, proposed by Lord Granard, was agreed to: "An "extraordinary resolution for the purposes of the Com-"panies Act, 1862, and this Act, means a resolution "which is passed in such a manner as would, if it had "been confirmed by a subsequent meeting, have con-"stituted a special resolution; and Section 53 of the "Companies Act, 1862, shall apply in the case of an "extraordinary resolution in like manner as that section "applies in the case of a special resolution with a "substitution of a reference to the date of the passing "of the extraordinary resolution for the reference to "the date of the confirmation of the special resolution." Later in the week the Bill was read a third time, and on the motion the Lord Chancellor said he had a

number of small amendments which did not affect the substance of the Bill in the least, being mainly of a technical character. Their object was, contemporaneously with that Bill, to amend the companies' law, and also to consolidate the companies' law, and for that purpose their scheme was to introduce a consolidating Bill, pure and simple, which should do nothing but consolidate. Then, as soon as the Bill before the House was passed, and the other Bill brought in, to include in the consolidating Bill all the provisions of the first-named measure and repeal that Act as soon as it was passed.

"A Rose by any other Name ——." A unique measure (Baines' Name Bill) came before a Select Committee of the House of Commons last week. It is said to have been introduced in order to authorise the change of a person's Christian name so as to comply with the terms of a will under which a large fortune was to be inherited conditionally on a change of name within one year of attainment of majority. It appears that questions had been raised as to whether a Christian name could be changed otherwise than by Act of Parliament, though, says the *Law Times*, this could be done, under the canon law, at confirmation. The Chancery Division, it is said, had authorised the application to Parliament, and the Bill, which had already passed the Upper House, was reported to the Commons for third reading.

Clients! A correspondent of *The Solicitors' Journal* complains of the alleged indiscriminate use of the word "client," which he believes is "only and solely appropriate to designate the confi-"dential and protective relationship implied between a "legal adviser and a party obtaining his advice." It is said that the use of the word by shopkeepers and tradesmen tends to drag the phrase down to the level of "customer," and he asks, pathetically, "Is there no "chance of preserving for the legal profession a term "which ought to be peculiarly its own?" The word "client" seems to have a Latin origin, meaning "to listen," and indicated a person who placed himself under the patronage or protection of another. In France the meaning conveyed is "personne qui confie "ses intérêts à un homme d'affaires, à un avocat, sa "santé à un médecin. Pratique d'un commerçant." There does not seem to be much justification for the complaint, especially as it is supported entirely on dogmatic statements.

Mr. Justice Kekewich and the Text-Books. In *Re Wedmore* Mr. Justice Kekewich was called upon to decide whether the doctrine of abatement applies to legacies given in satisfaction of a debt. By way of preface to his judgment he is reported to have said that the question was one which he should have thought would have repeatedly come before the Court. The learned Judge also pointed out that the statements of law on the matter contained in Williams (p. 1,093) and Theobald (p. 810) were not borne out by the cases cited in support thereof. In White and Tudor's leading cases, as well as in the two text-books mentioned, legacies given in satisfaction of a debt are treated on the same lines as legacies given in lieu of dower, and do not, therefore, abate. There was, in his opinion, no direct authority for this proposition, and in the nearest case (*Davis v. Bush*) the point was not specifically decided. He thought, therefore, that the principle applicable to legacies for dower ought not to be extended to legacies of this character, and held that the legacy in question must abate with the general legacies.

Railway Capitalisation. A correspondent of *The Railway Gazette* has compiled the following table with the object of disproving the alleged over-capitalisation of American railroads:—

Country.	Year	Capital or cost per mile of railway. £
United Kingdom	1904	56,003
Belgium (State lines only)	1903	33,037
France	1902	28,254
Austria	1903	26,351
Italy	1902	22,220
Switzerland	1903	21,554
Germany	1903	20,296
Russia	1902	16,129
Hungary	1903	15,206
Venezuela	1904	14,573
Canada	1904	12,423
United States	1904	11,347
Uruguay	1899	10,832
Sweden (State railways)	1904	9,172
Norway	1904	7,879
Finland	1902	6,609
Sweden (private railways)	1902	4,518

Debentures and Voting Power. The decision of Mr. Justice Parker in *Day v. Kent Collieries, Lim.*, has been upheld by the Court of Appeal. It may be remembered that this case decided that holders of debentures issued by way of collateral security are entitled to vote in respect of the face value of the debentures irrespective of the fact that at the time of voting the loan in connection with which they were issued does not amount to their face value. It has been pointed out that if this were not the case, and inquiries (probably involving disputes) made as to the actual amount of the loan at

the time of voting, it would be extremely difficult to hold an effective meeting without considerable delay. All the same, it certainly appears as if voting powers had been exercised, based on securities for which no consideration had been given.

Audit Certificates. The financial press recently gave prominence to the reports and accounts of several gold mining companies. In all cases the accounts appear to have been certified by two Johannesburg firms of Incorporated Accountants. In one instance the certificate runs as follows: "We "hereby certify that we have examined the books and "vouchers of the —— Company, Lim., and find the "above statement a true extract therefrom." While in other cases the form adopted is: "We have examined "the books and accounts of the —— Gold Mines, "Lim., together with the vouchers and documents "relating thereto, and we hereby certify that the above "Balance Sheet is correctly drawn up so as to exhibit "a true statement of the affairs of the company at the "31st December 1906, as shown by the books." It would be interesting, and doubtless instructive, to know the reason for the distinction which has been made.

Graduated Taxation. Mr. Wilfrid H. Plumridge's second article on the Budget proposals, in *The Financial News*, proceeds on the lines that it is impolitic and against the interests of the nation to tax the so-called rich at a higher proportionate rate than other persons are taxed. The relationship between high wages and wealth and high interest and low wages is cited, but while many dogmatic statements are made, little or no evidence is brought to their support. The emigration of capital towards foreign securities is then discussed, but, again, Mr. Plumridge does not deem it necessary to produce authoritative facts, being apparently content to rely on the story of the goose and the auriferous eggs. The state of British credit and certain political matters are next touched upon, but these are outside our sphere.

The Audit of Trust Companies. It is reported that a recent case of defalcation has prompted the banking department of New York to proceed with the examination of trust funds held by all trust companies in that State. It seems a remarkable fact that, apparently, there has been no investigation in this direction during the last ten years! The periodical examination which has hitherto taken place was simply directed towards the collateral securities held against loans, and the other stocks and bonds included as assets. The proposed audit, though a little dilatory in point of time, would seem, therefore, to be very advisable.

The Question of an Auditorship. The following paragraph appeared in a recent issue of *The Financial News*, but the details are so meagre that comment is impossible. Perhaps some of our correspondents may be able to supply fuller particulars:—

"PARTNERS OF DIRECTORS AS AUDITORS.

Messrs. Gedge, Ilott & M'Leod, Chartered Accountants, were the plaintiffs in an action against Ye Mecca, Lim., and Mr. Ogden Lawrence, K.C., on their behalf, submitted to Mr. Justice Kekewich, in the Chancery Division, yesterday, the question whether they were or were not the auditors of the defendant company. The question depended on the construction of the articles of the company, and on what happened at a meeting of the company.

His Lordship suggested a settlement, and, after counsel had conferred, they suggested that he should nominate an auditor. Thereupon his Lordship nominated Mr. Whinney, whom failing, Mr. Fitch Kemp, and directed that the costs of all parties should come out of the funds of the company."

A Curious Contract. Efforts are stated to have been made to finance a certain pig-farming establishment, and a rather curious form of contract, together with some proposals which are "not to be deemed a prospectus," have apparently been circulated. The "form of contract" runs as follows:—

"FORM OF CONTRACT.

To ——— ———, Esq.,

———, ———, ———.

I/we have read the subjoined proposals for the formation and registration of a company proposed to be formed under the name of '——— Pig and Poultry Farm, Lim.,' and am/are willing to subscribe for preference shares of £1 each in that company in accordance with the subjoined proposals I/we hereby authorise you to subscribe in my/our names for such shares in that company as soon as it is formed and registered, and this shall be my/our authority to the directors, when appointed, to allot me/us shares.

I/we have paid Messrs. ———————, London, £ , being 2/- per share by way of deposit and to be taken in part payment for such shares when and as soon as the company is duly formed and registered.

Dated ."

While the "proposals" include the following stipulation:—

"A meeting of the several signatories to the form of contract prefacing these proposals will be called to consider and decide all matters in relation to the formation and registration of the proposed company, and the desirability of filing and issuing a prospectus in accordance with the Companies Acts. At least three days' notice of the time and place of such meeting will be given, and notice shall be considered as properly given if sent through the ordinary post to the address of each of the signatories appearing on any of the appended forms of contract. The decision of signatories contracting to take the larger amount of shares shall be binding on all signatories of the appended form of contract.

May 1907."

The proposed capital of the company is £1,000, divided into 800 10 per cent. preference shares of £1 each and 2,000 ordinary shares of 1s. (query 2s.) each. A financial contemporary points out that the persons "contracting" to take the 2,000 ordinary shares would apparently be in a position to force their views as to the constitution of the company upon the subscribers to the 800 preference shares, for although the nominal amount is smaller, a "larger amount" of shares is certainly held, with the natural consequence as to voting powers.

Realisation of Estates. An interesting correspondence is appearing under this heading in *The Financial Times*. The matter was mooted first of all by Mr. W. W. Marshall, who, after pointing out the difficulty of realising any large block of investment stocks, however good, without a great reduction in value, makes the ingenious suggestion that powers should be given to executors, at their absolute discretion, to hand over to legatees, in lieu of cash payments, an equivalent value of stocks to be taken at, say, the middle price of any given day. He also considers that executors should have the right to forfeit the legacy altogether where a legatee rejects such a settlement. Mr. T. Rothwell Haslam then takes up the running and quotes the case of *In re Slater; Slater v. Slater*, which, it may be remembered, raised a point as to ademption, as rendering Mr. Marshall's plan unworkable. He goes on to say that:—

Mr. Marshall's suggestion that the particular stocks and shares should be bequeathed instead of a particular sum of money involves the risk referred to, and there does not appear to me to be any way in which this risk can be avoided. I quite agree that if at the death of a testator particular stock bequeathed is in his possession that the taking it over in specie would prevent a loss on realisation, and that in some cases such a loss, as Mr. Marshall states, is larger even than the exceedingly high death duties payable thereon. In other words, that if this loss could be avoided, the added burden of death duties would not be so seriously felt. In a recent case which I have had to deal with a testator held at the date of his death £90,000 worth of shares in an industrial company, and to have put these shares on the market for the purpose of realisation would not only have considerably depleted the testator's fund, but would have quite unnecessarily disturbed the market. In assessing duty on this large amount the Somerset House authorities insisted on duty on the price of the shares on the day of the testator's death, and it was only after considerable difficulty and by showing that such a price could not have been realised for the whole of the stock, but only probably for a small portion of it, that they ultimately conceded a deduction amounting to 13 per cent. The authorities admitted that they had only in one case made such an allowance before; but the case shows how hardly the burden of death duties falls upon the estate when a testator at the date of his death has a large holding in any one undertaking.

Companies and Party Contributions. In a printed answer given by Mr. Lloyd George to a question asked in the House as to whether the South Metropolitan Gas Company had made a contribution to the funds of the London Municipal Society previous to the recent County Council election, an interesting letter from the secretary of the company is quoted. After acknowledging that a sum of £21 had been paid, the following remarks were added:—"This company is "one of the largest ratepayers in South London, paying "£88,000 a year in rates, being an increase of 50 per "cent. in the last seven years." Gas consumers and shareholders being practically partners (*The Financial News* adds) it is to the interest of all that the waste and extravagance of the local authorities should be checked and economy and efficiency ensured, and the directors believe their action was for the public good. The secretary concludes by saying he is also instructed to direct attention to "the gross injustice which the con- "tinuance of the present system inflicts on all joint- "stock companies; they pay a very large and increasing "proportion of the rates, with no control whatever over "their expenditure, and with no voice or vote in the "election of the London and borough councillors or the "members of the boards of guardians. Such taxation "without representation cannot be justified. The system, "or, rather, the want of system, has been allowed to "grow with the growth of joint-stock companies, and a "remedy is urgently needed to give them their prop- "share in municipal government."

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Depreciation, with Special Reference to the Accounts of Local Authorities.

(*To the Editor of The Accountant.*)

SIR,—It is not my intention to enter into the discussion on the general question except to say that there does not appear to me to be any real difference between Professor Dicksee's views and those of Mr. Swainson. As I understand it, the Professor simply affirms that provided the loan period accurately coincides with the working life of the asset, and that the asset is fully maintained out of revenue, the statutory Sinking Fund of Local Authorities might be regarded as being equivalent to the usual depreciation in commercial undertakings.

Everything depends upon the circumstances of the particular case—*i.e.*, the nature of the asset: whether it is speculative or stable; the probable or possible obsolescence, and so on. Electricity undertakings are more or less speculative, and with the engineering expert evidence Mr. Swainson had before him as to the inadequacy of the Bolton Sinking Fund, his extra charge against profits of 6 per cent.—whether for depreciation or for reserve—appears to be perfectly justified.

I remember, many years ago, the late Mr. Adam Murray (when an honoured member of the Manchester City Council) discussing the question as to the wisdom of charging full depreciation against profits, in addition to the Sinking Fund required under the Acts, in connection with the Corporation Gas Works. He argued strongly that, provided the expenditure for renewals, repairs, and maintenance was charged against the Profit and Loss Account, a further additional charge for depreciation beyond the Sinking Fund was unnecessary. But a gas undertaking is different from an electricity undertaking.

The whole matter resolves itself into a question of financial prudence and foresight, under the circumstances connected with the particular asset; and I have no doubt that Professor Dicksee, who always advises "erring on the right side," will agree that in the case of electricity and similar works it is wise to depreciate fully in addition to charging the statutory Sinking Fund. As he explains, where the Sinking Fund is equated, with widely varying periods of life for different assets, there is really no alternative but to charge a depreciation as well as the Sinking Fund.

No hard and fast rule can be laid down. The aim should be to free the municipal undertaking from loan debt in due course, without depriving the present ratepayers of what might be regarded as their legitimate share of the profits.

I am, yours faithfully,

JOHN B. CARRINGTON.

14th May 1907.

Re Depreciation.

(*To the Editor of The Accountant.*)

SIR,—The somewhat belated and much condensed report of Mr. Robert Hammond's paper, read before the Institute of Electrical Engineers, which appears in your issue of the 18th inst., if taken by itself will prove misleading to those who are seeking for some guidance on this important subject.

The life of the various machines and items set forth in the list therein was merely suggestive and for the purposes of discussion. Numerous members spoke after the reading of the paper, and they all concurred (so far as my memory serves me) in rejecting the suggested length of life as being greatly in excess of actual practice.

It would be calamitous if readers of your valuable journal were to formulate a system of depreciation founded upon the suggested terms in the paper referred to. It surely must be well within the knowledge of many of the members of the Institute of Chartered Accountants that already costly machines, engines, and equipment less than ten years old have been discarded from many electric supply stations (which formed the basis of the paper under discussion). This being so, the less said of any imaginary life of such objects the better.

I am, Sir, yours obediently,

ONE WHO WAS PRESENT.

May 21st 1907.

Auditors and the Companies' Bill.

(To the Editor of the Accountant.)

SIR,—I expected some reference to be made in your last issue as to the effect of an amendment relating to auditors made on the Companies Bill. It was proposed that at least one of the auditors of a limited company should be a professional accountant, but this was afterwards altered to read that at least one of the auditors of every company having a nominal capital of £50,000, should be a person who publicly carries on the business of an accountant. It seems to me that this clause, if made law, would prevent about one-quarter of the members of the Institute from accepting auditorships of companies where the nominal capital was over £50,000. Surely this is a remarkable result of all that has been done to educate the public as to the necessity of employing properly qualified men! I presume, in England, as in Scotland, a man intending to go into business usually gathers a few appointments before putting up his name, but under the proposed law a Chartered Accountant might not be open to accept every appointment. The question should interest the younger members of the Institute.

A simple subsection, providing that members of any of the Chartered Societies should in every case be eligible, would overcome the difficulty.

Yours truly,

15th May 1907. SCOT.

Income Tax.

(To the Editor of The Accountant.)

SIR,—I am acquainted with a limited company, in connection with which the following has occurred.

Although since its incorporation, several years ago, it has never made a penny profit, it has been the custom for the Income Tax authorities to require payment of income-tax supposed to have been deducted on payment of certain interest on debentures and loans.

As a matter of fact, however, this interest has never been paid, so that the deduction of income-tax exists only as a bookkeeping entry.

The debentures and loans, with the accrued interest thereon, are now about to be wiped out and the claims in respect of them foregone.

The following points therefore arise:—

(1) Need the income-tax ever have been paid?

(2) And, if not, now that the claims in respect of interest are to be legally foregone, can any of the tax be recovered, and for how many years?

Thanking you in anticipation for your esteemed opinion,

I remain, yours truly,

15th May 1907. HOPEFUL.

Gas Undertaking—Annuity to late Manager: How dealt with in Accounts.

(To the Editor of The Accountant.)

SIR,—This year our gas company have granted an annuity to their late manager, and I feel that this item should be properly charged against Revenue Account, but as I am anxious to keep that account as far as possible to show the work of the new manager, would it be permissible to leave this item out of Revenue Account and charge it to the debit of Profit and Loss Account, as I do the principal and interest on loans and other charges extraneous to the actual working of the undertaking?

Yours truly,

May 14th 1907. ENQUIRER.

Government Auditors.

(To the Editor of The Accountant.)

SIR,—I am a firm believer in the Government auditor, provided that a *qualified accountant* is appointed.

I have had several years' training and experience in a Chartered Accountant's office, and believed I was well instructed in the elements and principles of Bookkeeping and Accountancy. Having recently obtained a municipal appointment where a Government auditor "audits" the accounts, I have been astonished at the extraordinary theoretical ideas of bookkeeping propounded by the auditor, necessitating a vast amount of unnecessary work, with less results than would have been obtained if a common-sense system of bookkeeping were adopted, such as would be recommended by any qualified practical accountant.

I am, &c.,

21st May 1907. MARCUS.

Chartered Accountants' Lodge.

(No. 3,162.)

THE regular annual installation meeting of this Lodge took place on Wednesday, the 1st inst., at the New Gaiety Restaurant, when Mr. John William Woodthorpe, of the firm of Woodthorpe, Bevan & Co., was installed Worshipful Master for the current year, the ceremony being performed by Mr. Francis W. Pixley. The other members of the Lodge present were :—

Dr. Ralph Gooding, Messrs. Edwin Fox, William Plender, J. H. Whadcoat, Charles Fox, George Sneath, A. H. Gibson, Ernest Edmonds, Arthur F. Whinney, W. H. Fox, W. Hardy King, Charles Eves, H. Gaskell Blackburn, T. Lindsay Fisher, J. B. Woodthorpe, Ernest Winn, Charles F. Cape, A. Duncan Barber, Geoffrey Bostock, Percy W. Strauss, T. E. Shuttleworth, Edward C. Moore, L. E. Halsey, and James H. Stephens.

The visitors were :—

Messrs. A. H. Lindo (who acted as organist), W. S. Page, Reginald D. F. Hill, J. H. Dallas, A. R. Upjohn, F. Brinsley Harper, and Wilfred J. Hardcastle.

Mr. H. Woodburn Kirby continues his office as Treasurer of the Lodge, having been elected by the members at the previous meeting.

The W.M. appointed the following gentlemen officers of the Lodge to assist him during his year of office :—

Francis W. Pixley, S.W. ; George Sneath, J.W. ; Charles Fox, Secretary; A. H. Gibson, S.D. ; Ernest Edmonds, J.D. ; W. H. Fox, D.C. ; Paul Bevan, Organist; Arthur F. Whinney, I.G. ; James H. Stephens and Edward C. Moore, Stewards.

After the ceremony the members and their guests dined together in one of the banqueting halls of the Gaiety Restaurant, when the usual toasts were duly honoured. A programme of music and recitations was arranged by Mr. Algernon H. Lindo.

The next Lodge meeting will take place at the Gaiety Restaurant on the first Wednesday in October.

Joint-Stock versus Private Ownership of Businesses—Some Commercial Differences.

By W. R. HAMILTON.

A LECTURE read before the Birmingham Chartered Accountants Students' Society, on March 26th, and the Chartered Accountants Students' Society of Kingston-upon-Hull, on April 10th 1907.

SUMMARY OF PAPER.

(1) In a private business profit is increase of capital, and, in the last analysis, is the *cash* increase.

(2) This increase cannot be ascertained yearly, but it can be estimated according to certain conventional rules.

(3) In a company "capital" and "profit" have a definite and specialised meaning.

(4) A private trader can be more enterprising than a company manager, because he works for himself, and can subordinate the present to the future.

(5) It is very difficult to compare business with business as to amount or rate of profit.

(6) The private limited company is at first practically a partnership, but develops features which are foreign to a partnership, features perhaps not contemplated on its formation.

THE subject I have chosen is not one which deals directly with accounts in the technical sense, but I hope it may not be less interesting for that reason. A technical knowledge of one's profession, whatever it may be, is always essential; it is a necessary preliminary, just as is the ability to read and write in the case of anyone who desires to be called educated. We cannot do without the tools, but we must also know how to use them; we must know the world of business from a wider standpoint than that of a mere expert in figures—we must know, in fact, what the figures stand for.

The feature common to all businesses is that they are a form of activity directed to making a profit. They may not, in fact, make one—certainly they may often make no profit in any one year—but the desire for profit and the making of it, or the hope of making it, are common to all. Other things than profit may be desired, and made, out of a business; it may provide interesting and engrossing occupation; it may be thought to be—and may very well be—a real service to the community; it may minister to the desire for power; but to realise these a profit—or the hope of one—is a condition precedent. Where no such condition existed, we should not consider any form of activity as a business at all; one might as well call by the name of business the practice of philanthropy or the pursuit of sport.

All business undertakings are integral parts of the national life, employing labour, supplying needed commodities, and seeking, in doing so, to make profit. But they seek this profit in somewhat different ways—the managing owner of a private concern goes about his search in a different way from the investor in a public company; and this raises the vexed question: What *is* profit?

In the process of auditing the work centres round the Profit and Loss Account, and we accountants are inevitably —and very necessarily—led to draw a sharp distinction between Capital, on the one hand, and Revenue, or Income, on the other. But the only workable conception of profit is that of a gain in capital; and, indeed, this is clearly recognised by us in our work so far as it concerns privately-owned businesses. When we are closing the accounts of a business for a given period we carry the Nominal Accounts

—sales, purchases, wages, expenses, &c.—to a Profit and Loss Account, and the balance of that account we take to Capital Account. In effect, therefore, all the Nominal Accounts—one side of the double-entry—are posted to Capital Account, for at balancing time they have all, for the moment, ceased to exist, having been incorporated in that account. So that if I pay 6d. for a telegram I have diminished my capital by that sum, which is debited to Capital Account, for it is debited to Postage or some Nominal Account, which is debited to Profit and Loss Account, which in its turn is debited to Capital Account, where the process ends. To put it in another way, if I buy an article for 2s. and sell it for 3s., I say, and truly, that I have made a profit of 1s. But how do I know that I have made this profit? By grasping the fact that I have increased my capital by that amount.

There is therefore no essential distinction between capital and profit. The profit for a year is, at bottom, the amount by which capital has increased in that year by trading operations, and the word "profit" is a convenient verbal shorthand to convey the idea of such increase. Similarly, "loss" stands for diminution of capital.

There is only one kind of profit—cash. If a man buys a business in his youth, carries it on throughout his life, and disposes of it in old age, his drawings during his ownership, plus the price he sells the business for, less what he paid for it and what he may have put into it subsequently, is his profit, neither more nor less. In fact, over a long period, the Cash Book is the true Profit and Loss Account. There are still, I suppose, traders who deride bookkeeping, who tell one cheerily that their bank book tells them how their business is going. I do not suggest that, either from the public or the professional point of view, such conduct is wise, but at least these worthy men have grasped the cardinal fact that the profit of a business is the amount of cash you can take out of it. This is a fact not always clear to us accountants; or perhaps, I should say, to accountants' clerks, for the practising accountant knows very well that he lives not by costs delivered, but by costs paid—it is his Cash Book and not his Journal which pays his expenses.

As there are few rules without exceptions, so it is true that there are exceptions to the rule that cash is the only form of profit. What we all want is not money, but money's worth. Where a business is of such a nature that the article dealt in can be used by the proprietor of the concern in his capacity of a consumer, and where he does so use it, to that extent his profit is in kind and not in cash. A farmer can, and does, produce much of the food he and his family consume; and it is obvious that a universal provider, if he live up to his name, can make an excellent living out of his business without drawing any cash out of it. But in a highly artificial state of society like ours such cases are few. For though there are not many concerns in which the proprietor does not use some of the articles he deals in, yet this use is generally trifling, and few people take to a business because it is going to produce something they themselves need. They engage in the occupation in which they believe they will be able to make most cash, secure in the knowledge that that cash can be converted into such commodities as they desire. One does not hear of a man choosing to be an accountant because it is a business in which he can avoid the expense of employing an auditor.

Life is too short to allow us to wait until a business is worked out to a conclusion in order to ascertain the actual amount of the profit. In most businesses, therefore, it is usual to have periodical stocktakings—generally once a year. (The word "stocktaking" is used here in its older and more comprehensive sense of a general statement of assets and liabilities.) This account or statement will show that the capital—or "capital stock" as our grandfathers would have called it—has increased or decreased during the year by so much. Let us assume an increase. This increase is called the profit of the year, and to show *how* it has come about is the province of the Profit and Loss Account. "Profit" is a convenient term by which to express this increase, and its meaning is very well understood in the commercial world, so that no misunderstanding arises from its employment.

You may have heard it said of some trader with whose accounts you are concerned that "his profit is all in his stock," meaning that the amount of profit shown by his Profit and Loss Account is equal, more or less, to the amount by which his stock-in-trade has increased during the year. Or you may hear that a certain transaction has resulted in a "paper profit." These sayings are appreciations of the ultimate fact that profit, to be really profit, must be tangible, must, in short, be in cash. Now, a Profit and Loss Account is not a Cash Account; if there is one fact which a student is expected to grasp it is that one. Indeed, so little correspondence need there be between them at any one time, that we may be engaged in drawing out an account showing a substantial profit while our client is wondering where he is going to find the money for his week's wages! The profit shown by an account in such circumstances can only be a conventional one, and when we say that a man has made a profit of, say, £1,000, what we mean is that he has initiated and partly carried through transactions which, *when completed*, will result in his receiving in excess of his payments £1,000.

Not only is it the case that the profit shown by the books may not be—and indeed can hardly ever be—withdrawable immediately in cash, but a book profit is to some extent based on estimates which may not stand the test of actual experience. There is nothing alarming or unusual in this—

it is an incident of the necessity of getting some result for short periods, instead of the impossible method of waiting for the finishing up of a business concern. A Balance Sheet, except as to the item of cash, necessarily consists of estimates of the cash value on a given date of certain assets and liabilities.

There is another form of profit—or loss—which, though real, does not show in any ordinary Profit and Loss Account, and that is the increased, or decreased, value of the goodwill. Suppose I start a business, investing, say, £6,000 in it, and carry it on for twenty years, making an aggregate profit, according to my yearly accounts, of £20,000. Suppose, too, that I have drawn exactly that amount out of it, my tangible assets at the end of the time are, of course, £6,000 as at the beginning. If I sell it for £10,000, I receive £4,000 for goodwill, and this £4,000 is undoubtedly profit, over and above the £20,000 shown by my books from time to time. My twenty years' trading has resulted in a total profit, or increase of capital, of £24,000. How much of the goodwill should be attributed to any one year it is, of course, impossible to say.

It is the difficulty—the impossibility rather—of attributing the growth of the goodwill to any particular year which causes its exclusion from Profit and Loss Accounts. But none the less is this goodwill, when ascertained, a true profit. In like manner, losses diminish the value of the goodwill, and in all concerns subject to the usual trade fluctuations the value of the goodwill must vary, could it be ascertained, from year to year.

In a private concern goodwill is only ascertainable by actually selling the business—it is only ascertainable, that is, by actually realising it; but in the case of a public company the goodwill is known from day to day, and a shareholder can get his proportion of it at any time. The goodwill is, substantially, the price at which the shares stand above par. If a company has a capital of £100,000 in £1 shares, and these shares stand at 25s., this shows that the goodwill is considered by the public to be worth £25,000 on the assumption that the company started with no goodwill. If the original £100,000 was made up of £90,000 in cash or assets and £10,000 in goodwill, then the market price of 25s. is equivalent to a goodwill valuation of £35,000.

The whole question of goodwill is a difficult one, because each case stands by itself. In the above illustration of company goodwill the matter seems simple enough. While, however, it is true that the value of the goodwill may be judged by the premium, it does not follow that all the shareholders could simultaneously obtain the normal premium. If half, or even a quarter, or less, of the shares were suddenly put on the market the premium would probably disappear. On the other hand, if the concern were needed by a promoter as an essential part of an amalgamation scheme, the premium asked and obtained might well be far above the current quoted rate.

It cannot be too clearly understood that to the question, What is the value of the goodwill? no general answer can be given. What is the nature of the business? What is the capital required? Am I going into partnership with the present proprietor? or, Is he retiring? or, Is the business being kept together by executors till a purchaser is found? These are some of the questions to be asked before you can begin to give an idea of the number of years' or months' purchase of the profits which may be expected. Professional businesses are said to have a goodwill equal to about three years' purchase of the profit. That is true, if a partnership is presupposed. But the value is less if the owner is giving up the business, and much less if he is dead. Businesses where capital is an important factor have much less goodwill value, for partnership purposes, than professional ones, but a much greater value for sale to the public in the form of a limited company. But in all cases, and this is especially true of large manufacturing and distributive concerns, the question is one of bargaining in each individual case, and is generally complicated by arrangements as to the bringing in of capital. Thus, if a man on coming into a business is content to take at its face value a large asset which is of doubtful or speculative value, he is in effect paying something for goodwill.

To sum up the whole matter, profit is, in the last resort, cash, and is the whole of the cash taken out of a business after repaying that which has at one time or another been put into it. It follows from this that a man may well be content with a small amount of cash on account of profit in some years, if he thereby greatly increase his chance of receiving the balance later on, with a substantial increment to repay him for his waiting. This is, in fact, how businesses grow. A man starts in business with a small capital, and if he prosper he soon finds that he cannot withdraw the profit he appears to have earned, because it is invested in stock, or debts, or plant. In short, his business requires more capital, and this capital he finds not by putting money in, but by refraining from drawing it out. This he does gladly, knowing that in the long run he will receive his own with usury. Now this procedure—feasible, proper, and commendable in the case of a private concern, or a "one-man" company—is denied to the public company. Not because there is any law against it, but because shareholders want dividends payable in cash. Not only so, but they want in dividend almost the whole book profit of the year. In the early stages of a company, shareholders are generally willing to allow a portion of the profit to be retained in order to form a Reserve Fund, but when such a fund has been formed, the cash outgoings each year in the shape of dividend must approximately equal the certified profit. Such a state of affairs, to my thinking, militates against trading of the most successful kind. It is not good to feel that by hook or by crook you *must* find at the end of each year cash equal

to the amount of profit you appear to have earned. The tendency must be, and, I think, is, to make for too conservative a policy. In the effort to make sure of 7 per cent. or 8 per cent., you not only lose the chance of making 15 per cent. or 20 per cent., but you are apt to lose even the smaller rate. Caution is not the only necessary business quality—the truly successful business man is like the prophets of old (and surely I may claim the merit of being the first to point out the resemblance) in that he sees visions, and has, on occasion, a kind of divine rashness, which leads him to great things. But shareholders do not like this—what they want is dividends and a market value for their shares. I think that many shareholders would be content to have their dividends fluctuate more if this did not affect the market value. We accountants are at great pains to see that Balance Sheets are correct, but the shareholders, though they are the proprietors, are only indirectly concerned with their accuracy. Their primary concern is with the price which they can obtain for their shares, should they desire to sell them, and that price is almost entirely governed by the rate and regularity of the dividends paid.

The private trader thus has a freer hand than the company manager. He can make more use of his tools, can go further afield in his search for markets, can subordinate present to future gain, in a way not allowable in joint-stock concerns. More than this, he can, if necessary, do what no public company manager ever dare do—he can embark on a course which will almost certainly result for a time in a heavy loss, counting the cost and considering the loss worth the chance of a large future profit.

I have referred above to profit as being the amount by which capital has increased. But while this is true commercially and economically, it is not true legally in the case of limited companies. "Capital" in their case has a special and restricted meaning. Shareholders are not creditors: this we know, and so, to their cost, do they. But you get the best idea of share capital by considering the company as an entity apart from its shareholders (as indeed it is) and then by considering the shareholders as deferred creditors for the amounts paid upon their shares. Share capital is a fixed amount, which, for practical purposes, cannot be diminished, and can be increased only in certain definite and specified ways, and each increase is for a definite and specified amount. A private person who begins with £100,000 and makes a profit of £10,000, ends with a capital of £110,000. So does a company in like circumstances, but the £10,000, is not automatically added to the £100,000: the legal amount of the capital is unaffected by the profit—nor would it be affected by a loss—and the nominal liability to the shareholders still continues. To say that a profit of £10,000 has been earned is to say in effect that a certain portion of the virtual capital of the concern, which portion must not exceed £10,000, may be distributed as dividend, provided the company can find the cash necessary for the purpose. Whatever is not so distributed remains as dividend-earning capital in the company. But, though it earn dividends, no dividend is specifically paid on it. All the profit is considered as being earned by the share capital, and is expressed as a percentage thereon. Suppose that the company referred to above found that though it had earned £10,000, yet its operations had so increased, and required so much more capital, that it could not find any money for a dividend, it might issue shares for £10,000, and with the money so received pay the dividend. Commercially this would make no difference—£10,000 had come in, and £10,000 had gone out, so that the effective capital remained unaltered—but legally the difference is considerable. For the share capital is now irrevocably fixed at £110,000, and on that sum must all future dividends be calculated.

The private trader cannot, except by a coincidence, draw from his business in any one year exactly the amount of the profit he has earned. Thus a man may begin with £20,000 and find at the end of the year that he has made £3,000, and withdrawn £2,000. His capital at the end is therefore £21,000. If this process be continued, and the business grow, he may find that in time his capital is, say, £50,000. He is in no doubt as to where the £50,000 is—it is, as he would put it "in the business"—the excess of assets over liabilities has increased. The circumstances would not have been at all altered had he kept his original capital in an account which stood continually as a credit of £20,000, and credited the annual accretions of capital due to the profit exceeding his drawings to another account, which would end with a credit of £30,000, the two amounts making the total of £50,000 which is his capital. Nor would the circumstances be altered if he called this second account "Reserve Fund" or indeed by any other name he chose. You will see this more clearly if you think, not of the accounts of a business, but of the business itself. The capital of a business does not depend on the way in which it is set forth in the books; indeed there may be no books at all—certainly there is often no Capital Account. Books or no books, right accounts or wrong accounts, in the illustration above the capital is *in fact* £50,000, of which £30,000 has been brought in gradually by the profit exceeding the withdrawals.

To some extent this is what happens with all successful companies. They earn more profit than they care to distribute, and this surplus profit they put to a "Reserve Fund." The name is not happily chosen, for a reserve implies something (presumably cash) which may be drawn on in case of adversity, whereas the ordinary Reserve Fund is not in cash and cannot be used for such a purpose except in a technical sense. It is the restricted use of the word

"capital" in connection with companies, and the use of the misleading term "Reserve Fund" which prompts the inquiring shareholder to ask, "Where is the Reserve Fund?" The answer (which I do *not* recommend you to give to a shareholders' meeting) is that the term Reserve Fund is a misnomer, but that since the company was formed its excess of assets over liabilities has increased by the amount of the so-called fund. The use of the word "fund" is partly responsible for the trouble which often arises in this connection. It would be better to call the item in the Balance Sheet, Reserve "Account." This would not be understood by many shareholders, but it is better that a shareholder should not understand than that he should misunderstand. Except in the case of banks and investment companies there can seldom be a real Reserve *Fund* in the shape of cash or realisable securities. If this existed, it would only show that there was too much capital in the concern, and the shareholders would want it to be paid to them either as dividend or as a partial return of share capital. Still less could it exist concurrently with an issue of fresh capital, for the shareholders would ask at once why new capital should be issued if the company had money lying idle.

What has been said above as to Reserve Funds applies to all undistributed profit, whether allocated to a Reserve Fund or not. It is not usual—or practicable—to distribute the whole profit earned in a year, and the amount left undistributed or not otherwise allocated is carried forward and stands to the credit of Profit and Loss Account. Commercially this is an accretion to capital. Notice that in a Balance Sheet you see "Reserve *Fund*" and "Profit and Loss *Account*," though these are but different portions of the same thing.

A word as to what are known as "Secret Reserves." Such a reserve may be formed by undervaluing assets, and is brought into play by increasing them at some particular stocktaking to their proper value. To some extent this is done in every company. A Balance Sheet consists of estimates, and these estimates are coloured by the personal bias of the individual or individuals responsible for them. But the variations need not be outside certain narrow limits, nor need they coincide with the fancied wishes or interests of the shareholders. The directors may wish for a good year on the very occasion on which the person responsible for the value of the stock has liver complaint, and so takes a gloomy view of everything. This is one of the unavoidable incidents of taking a yearly account. But a secret reserve is different, in that it is deliberate. The practice is, I believe and hope, confined to institutions which depend on public credit—where to show a loss would perhaps involve a stoppage. It may be justifiable in such cases to provide against this—indeed, there can be no objection to it where the necessary power is taken in the articles and where the necessary reservation is expressed on the Balance Sheet. But in the absence of such precautions it is a dangerous practice, being, in such circumstances, an application of the evil principle that "the end justifies the means"—it is a case of "doing evil that good may come."

The different meanings of the word "capital" make it very difficult to compare the rate of profit of one business with that of another. In private concerns the profit is generally expressed, not as a percentage on the capital, but as so much money. "Last year," says a manufacturer, "I made £5,000"—or whatever the amount may be. If he adds that that is 20 per cent. on his capital, you are entitled to assume that his capital is £25,000. But what you do not know is whether the £5,000 is arrived at after charging the 4 per cent. or 5 per cent. usually, in private concerns, debited to Profit and Loss Account and credited to Capital Account before the net profit is arrived at. Some people, too, have a way of drawing out so much weekly or monthly from their business, calling this their wages or salary, and considering their profit as the amount earned after this charge is made. It is only when you have found out that the manufacturer has made no charge for salary or interest that you can be sure that the real profit is £5,000. Had these items been debited before striking the balance the real amount would be greater, and the percentage to capital higher. Suppose, however, that you have satisfied yourselves that £5,000 is the total net profit, and £25,000 the real capital, you still cannot say, without further inquiry, that the business is earning 20 per cent. It is, for instance, a frequent occurence for a son to succeed to his father's business without succeeding to the whole of the father's capital. What was once legally capital changes to a liability; it becomes a loan to the business at a fixed rate of interest, and the only legal capital is the sum—probably small—which the son may have to his credit. But he takes all the profit, and this, in the early stages of his ownership, may easily represent an extravagant rate of interest on his capital. But the commercial capital—the amount a purchaser of the business would have to put in—is the amount due to the executors as well as the proprietor's own capital, and on this amount the total profit and interest on loan would represent a much more moderate rate of interest.

There are other complications, and indeed the answer to the question: "What is the amount of the profit?" or "What is the rate of profit to the capital?" depends on the further question: "For what purpose do you wish to know?" Such a purpose nearly always has reference to the future, and the real question is generally this: "Assuming the trade "to remain as in the past, what will be the profit (or the rate "of profit) assuming such and such capital arrangements?"

In the case of companies, the question of the rate of interest earned is also obscured. You may have noticed, as

bearing on this point, that in the case of private concerns the Profit and Loss Account generally contains an item on the debit side for interest on capital (generally 5 per cent.) before the profit is struck, while in companies' accounts no such provision is made. The theory as to private concerns is that the proprietor cannot be said to begin to earn profit till he has earned 5 per cent. on his capital, for the reason that he could have made 5 per cent. by ordinary investment, without the risk and trouble of going into business. Probably he could not to-day make 5 per cent. from investments, but that is the theory underlying the practice. But this does not apply to companies. There the shareholder is a mere investor, with no necessary connection with the business he partly owns other than as a shareholder, and the only way to estimate the return on his money is as a rate of interest on the par value of his shares.

If there are two companies, the A Company with a paid-up capital of £60,000, but with no Reserve Fund, and the B Company with a paid-up capital of £50,000, and with a Reserve Fund of £25,000, then the trading capital of the A Company is £60,000, and that of the B Company £75,000. If each earns a profit of £6,000, the A Company has earned 10 per cent. on its real capital, while the B Company has earned only 8 per cent. Dividend is paid, however, not on the virtual or trading capital, but on the legal paid-up capital. The A Company, therefore, would have to pay dividend on the full amount of the capital (£60,000) and would therefore pay 10 per cent.; while the B Company, having to pay dividend on £50,000 only, would pay 12 per cent. Do not suppose from this illustration that a Reserve Fund is a hindrance. It is a great help. If you want to get something for nothing it is not in the business world that you should look for it; yet you get some distant approach to it in the case of a Reserve Fund, for, in a sense, the company which possesses one has the use of the capital represented by the fund for nothing.

Another circumstance tending to complicate the comparison between two companies of the rate of interest earned is that some companies have only one class of shares, while others have two or more classes. Take two companies, each with a capital of £100,000, and each having earned £10,000 in a year. The A Company has only one class of shares—ordinary—and on this it pays 10 per cent. The B Company has £50,000 in 5 per cent. preference shares, and £50,000 in ordinary shares. To pay the dividend on the preference shares takes £2,500, leaving £7,500 to pay the ordinary dividend, or 15 per cent. As commercial concerns, the two companies are equal, but the A Company's ordinary shares pay 10 per cent. and the B Company's 15 per cent.

In addition to preference shares there may be debentures. In a winding-up debenture-holders come first and shareholders last, with the ordinary creditors between them. Commercially, however, debenture-holders and shareholders are one. The two together (where both exist) contribute the capital of the concern. One company may raise all its capital in shares and another partly in debentures and partly in shares. For trading purposes it does not matter which method is adopted, so long, that is, as the company is a live concern. If it begins to go downhill the difference soon becomes apparent. But in a going concern the capital is fixed in either case; whether or not part of it be in debentures makes no difference.

In a private concern the mortgage (if any) plays the part which the debenture plays in a company. One man may have his premises mortgaged, another may not. Apparent differences in the amount and rate of profit may thus be due, not to the essential nature of the concern, but to the particular financial arrangements of the partners.

Even in its legal sense as applied to companies the word "capital" has several meanings. In referring to the legal capital of a company I have had in my mind the "paid up capital"—the actual amount paid on shares issued. But if the shares are not fully paid up, the amount of the "issued capital" would be greater. Suppose there were 70,000 £1 shares issued, on which 10s. per share had been called up; the "issued capital" would be £70,000, and the "paid up capital" £35,000. Then there is "registered capital"—the amount stated in the memorandum of association. To register a company with a certain amount of capital only means that you have paid such an amount of duty as will enable you to issue a specified number of shares, if you care to do so and are able to do so. The amount is of no commercial importance, because if you want to increase it you can do so by paying the duty and taking the necessary formal steps. If you take out half-a-dozen dog licences you may not keep more than six dogs, but you may keep a smaller number if you choose. So with "registered capital." Of course, where a company has issued all the shares it has paid duty on, and where the shares are fully paid up, registered, issued, and paid-up capital are identical in amount.

We are all familiar with the "one-man company," or the two-or-three man company—the private enterprise which for some reason is carried on through the medium of a limited company. While the original ownership continues the business is for all practical purposes an ordinary private undertaking. The Companies Acts cannot be ignored by such concerns, but their effect is hardly felt. Their effect is, however, felt when the original owner (or one of them, if there are more than one) retires or dies. I believe that for a private business to be carried on under the Companies Acts is on the whole a very good thing for the persons concerned, assuming, of course, that the thing is honestly done, and that the Acts are not adopted to evade payment of

liabilities. It fixes the capital in the business and thus makes for stability; it allows of the assumption into the management of persons who are practically junior partners but who would never be admitted as partners; and if the shares can hardly be said to be marketable, at least they are not so hopelessly unsaleable as a share in a partnership is. Moreover, a certain glamour still surrounds the idea of a company—it has the charm at once of the high-sounding and of the unknown. And the time of change affords an excellent opportunity for a kind of financial confirmation. Much-needed changes can be made. Sometimes indeed the "old man can be put off and the new man put on" in too literal a sense—the opportunity can be taken to dismiss servants who are getting past their work and to engage younger men.

Whether two men who desire to associate themselves in business do so under a partnership or a company makes one difference not generally recognised. Partnership is a personal relation. The life of a partnership is the life of the partners—if one die the partnership is at an end, and therefore, of course, the sharing of profit, except in so far as a sum equal to a year or two's purchase may be paid for goodwill. If, however, two men make a company of it instead of a partnership, then, instead of the relationship being a personal one, they have, strictly speaking, no relationship at all. They are both shareholders in a company, and the company in which they have shares is a legal entity, with an existence independent of individual shareholders. What is called profit in a partnership becomes dividend in a company, going, not to a particular person, but to the holder for the time being of particular shares. The shareholder may die, but the claim of the shares goes on for ever. In effect, therefore, the surviving "partner-shareholder" (to coin a word) while he is relieved of the necessity of paying out his partner's capital, is burdened with the obligation to go on paying that partner's share of profit. In practice this is not such a burden as it looks, for partnership arrangements under the Companies Acts generally provide that part of the profit is divided as salary to the partners in their capacity of directors, and the salary of a director ceases, of course, on his death. If the burden of dividend on the deceased partner's capital is even then too onerous there is generally some way in which, by a judicious use of voting power, the burden can be lightened.

The wholesale transfer of business concerns to private limited companies is, however, as yet too recent for the full effects of the system to be known. There has not been time for the great bulk of them to work themselves out to a conclusion.

But where do they conclude? I wonder whether any of you have been struck by the general inconclusiveness of business? We accountants toil—not unrequited—at the accounts of the commercial community, but we seldom see the end of our work. When we do see the end, it is often far from being in accordance with our carefully prepared accounts. Commercial life under to-day's conditions has no counterpart in the past. It is a product of the nineteenth century: one may say of the last half—almost the last quarter—of the century. We know not whither we are travelling. Two features stand out in my mind as characteristic of the time. One is that the keeping of accurate accounts is one of the conditions of commercial success, or, indeed, of commercial existence. Not that everyone need keep accurate accounts. The prime necessity of accounts is to ascertain a remunerative selling price, and if nine people out of ten in a trade keep such accounts it is they who, in the long run, make the market price, of which the tenth can take advantage. The other feature is apparently in direct opposition to this. It is that now—as always—what people want is income, and that neither capital nor profit—certified or otherwise—matter to a man so long as he can lay his hands from day to day, from year to year, on the various commodities which he desires. The world, in fact, lives not on capital but on income. Capital is but a means to an end. The nation produces or acquires so much wealth in each year; economists know it as the "National Dividend." Give me a definite portion of this dividend each year, and give me the right to nominate someone to continue to receive it at my death, and you may call my capital what you will.

Manchester Chartered Accountants Students' Society.

The twenty-fourth annual general meeting was held on Monday, the 13th May, at 60 Spring Gardens, Manchester, the President, Mr. Frank Halsall, A.C.A., in the chair.

The minutes of the annual general meeting held on the 14th May 1906 were read, and declared to be correctly recorded.

Report and Accounts.

Your Committee have pleasure in submitting their Report for the twenty-fourth year of the Society's existence, ended 31st March 1907.

The aggregate membership is now 371—viz., 28 honorary and 343 ordinary members—as against 351 at the date of the last annual report, showing an increase of 20. The variation is shown as follows:—

	Hon.	Ordinary
Membership at 31st March 1906	28	323
Admissions during year	1	65
	29	388

Less:

	Hon.	Ordinary		
Resignations	0	21		
Transferred to other Societies		2		
Deaths	1	0		
Members struck off in accordance with Rule 8	0	22		
	—	—	1	45
Membership at 31st March 1907			28	343

During the year there have been held seven ordinary meetings, viz.:—

1906.

Oct. 1.—Social Evening.

Nov. 5.—President's Address.

„ 19.—Mock Creditors' Meeting.

Dec. 3.—Joint Meeting with Senior Society. Lecture: "The Criticism of Accounts." By Mr. W. R. Hamilton, F.C.A., Nottingham.

1907.

Feb. 4.—Lecture: "Cost Accounts for Small Manufacturers." By Mr. M. Webster Jenkinson, A.C.A., Sheffield.

„ 18.—Lecture: "The Duties of an Arbitrator." By Mr. Gordon Hewart, M.A., Barrister-at-Law.

Mar. 4.—Informal Discussion. Short Papers. By Mr. J. A. Porter and Mr. H. J. Lunt.

Your Committee take this opportunity of placing on record the obligation which they are under to those gentlemen who have read papers or opened discussions during the year, and also to those who have presented books and pamphlets to the Library.

The following are the details of the attendances, &c., at the various classes:—

Partnership and Executorship Class.—Lecturer: Mr. W. B. Phillips, A.C.A. Spring, 1906: Number of members, 46; average attendance, 29; number of meetings held, 6.

Result of Examination:—

First Prize.	*Second Prize.*
W. S. Berry.	P. S. Barton.

(Prizes given by the President.)

Special Prize for working a set of Executorship Accounts:—

P. S. Barton (Prize given by the Lecturer).

Bookkeeping Class.—Lecturer: Mr. F. Dowler, A.C.A. Autumn, 1906: Number of members, 57; average attendance, 37; number of meetings held, 6.

Result of Examination:—

First Prize.	*Second Prize.*
Noel G. Ward.	G. P. Taylor, Junr.

(Prizes given by the President.)

Examination Preparation Class.—Spring, 1906. Lecturers: Mr. R. N. Carter, F.C.A., and Mr. H. S. Ferguson, A.C.A. Number of members, 46; average attendance, 29; number of meetings held, 6. Autumn, 1906. Lecturer: Mr. H. S. Ferguson, A.C.A. Number of members, 39; average attendance, 23; number of meetings held, 4.

The following members were successful at the Institute Examinations:—

INTERMEDIATE.

May 1906.	*November 1906.*
Plant, W., 7th (bracketed)	Buckley, J.
Bealey, C. L.	Fischer, T.
Burton, G.	Moorhouse, H.
Crossley, B.	Parr, L. O. S.
Harrop, G. H.	Smethurst, R. R.
Haslam, P. T.	Taylor, R. G.
Lever, J. R.	
Nixon, W. A.	
Taylor, H.	
Tongue, C. E.	

FINAL.

May 1906.	*November 1906.*
Beard, A.	Aldred, J. W.
Beardsall, A. A.	Baron, H. H.
Charnley, W. R.	Barton, P. S.
Elder, G.	Bayley, H. A. L.
Haughton, W. K.	Binns, L. E.
Porter, J. A.	Bromiley, H.
Tootill, S.	Dean, R.
Wilcock, B. W.	Disley, H. R.
	Griffin, T.
	Halliday, D. D.
	Jones, G. E.
	Kirkham, F.
	Lindley, A.
	Smith, J. P.
	Snape, J. A.
	Young, J. E.

At the Accounting Classes held at the University, Mr. W. B. Hickman was placed first in the first class in the third course, and has been awarded the Society's prize.

The Committee have to record with the deepest regret the death during the year of Mr. Adam Murray, F.C.A. Mr. Murray took a great and kindly interest in the welfare of the Society from its inception, and has rendered it assistance on many occasions. At the annual meeting the following resolution will be proposed:—"That as a tribute "to the memory of the late Mr. Adam Murray, and in "recognition of the services rendered by him in the "foundation of the Society, the prize offered each half-year "to the student who gains the first place in the Final "Examination of the Institute shall be called The Adam "Murray Prize," this title to be retrospective.

The Committee acknowledge with grateful thanks a donation from Mr. William Ashworth, F.C.A., of £10 10s. 0d., to be transferred to the Prize Fund at the rate of £2 2s. 0d. per annum for five years.

The Accountants' Journal continues to be used to record the transactions of the Society.

Your Committee have co-operated with the Union of Chartered Accountant Student Societies in endeavouring to obtain increased grants for the smaller Students'

Societies (particularly for the purpose of establishing Branch Libraries), but they regret that, so far, the Union has not been successful. They acknowledge with gratitude the material assistance afforded by the present grants. The Society has not this year taken part in the joint debates arranged under the auspices of the Union.

Your Committee have held nine meetings during the year, at which there has been an average attendance of seven members, viz.:—

Mr. H. S. Ferguson, A.C.A. (Chairman), 7

Mr. J. Bell, A.C.A.	4	Mr. H. Ashworth, A.C.A.	0
" A. S. Brewis, F.C.A.	6	" J. A. Porter, A.C.A.	7
" *G. E. Baskerville, A.C.A.	0	" A. F. Rountree, A.C.A.	7
" J. H. Brown, A.C.A	3	" R. Dryden, A.C.A.	2
" R. N. Carter, F.C.A.	4	" A. R. Webb	
" Jno. Hamer, A.C.A.	1	" J. W. Womersley, A.C.A.	7
" W. B. Phillips, A.C.A.	1	" H. S. Lysons	2
" H. J. Lunt, A.C.A.	5	" †W. T. Bell, A.C.A.	0
" J. H. Stagg, A.C.A.	0	" A. Wood, A.C.A.	0

* Resigned March 1907. † Elected March 1907.

Your Committee have to announce with regret the resignation from office of Mr. J. W. Womersley, A.C.A., who has occupied the position of Hon. Secretary for the last year, and also of Mr. J. H. Stagg, as Hon. Librarian, a position he has occupied for several years. In their places have been appointed Mr. W. T. Bell, A.C.A., as Hon. Secretary, and Mr. Joseph Bell, A.C.A., as Hon. Librarian.

From the Revenue Account herewith, duly audited, it will be seen that there is an excess of Income over Expenditure for the year ended March 31st 1907 of £27 7s. 6d.

The Report of the Librarian is appended.

The members of the Committee who retire by rotation are Messrs. R. N. Carter, F.C.A., J. H. Brown, A.C.A., R. Dryden, A.C.A., J. Hamer, A.C.A., W. B. Phillips, A.C.A., and A. R. Webb (all of whom are eligible for election).

On behalf of the Committee,

H. S. Ferguson, A.C.A.,

Chairman.

24th April 1907.

Dr. Revenue Account for the year ended 30th March 1907. *Cr.*

Expenditure	£ s d	*Income*	£ s d
To Rent of Room	30 0 0	By *Subscriptions*:—	
" Printing and Stationery	17 17 11	Honorary Members	26 5 0
" Grant to Registrar of Library	10 10 0	Ordinary "	164 6 0
" Miscellaneous Expenses	14 2 3	" Entrance Fees	7 7 6
" Lecturers' Fees and Expenses of Classes	44 2 11	" Estimated Amount of Foundation Grant earned from Institute £51 10 0	
" *Expenses of Meetings*:—		*Less* Excess estimated last year 3 10 0	
Annual Meeting	1 17 6		48 0 0
Social Evening	12 8 8	" Bank Interest (*less* Commission)	0 15 0
" Subscriptions to "Accountants' Journal"	60 7 6	" Fines	1 12 10
" Subscription to "Union of Students' Societies"	8 15 6		
" Depreciation on Library Books	20 8 4		
" Insurance on Library Books	0 11 3		
" Surplus of Income over Expenditure	27 7 6		
	£248 9 4		£248 9 4

Dr. Prize Fund Account for the year ending March 30th 1907. *Cr.*

Expenditure		£ s d	*Income*	£ s d
To *Amount granted by the Committee to March 31st 1906*		272 19 0	By *Donations received to 31st March 1906*	205 15 0
" *President's Prizes, 1905-6, awarded since last Report, viz.*:			" *Amounts transferred from Revenue Account to 31st March 1906*	68 15 6
W. S. Berry	1 1 0		" *Donations received this year*:	
P. S. Barton	0 10 6	1 11 6	W. Ashworth, F.C.A. (first of Five Annual Instalments) 2 2 0	
" *Amounts granted this year, viz.*:			Frank Halsall, A.C.A. 3 3 0	
Owen's College Lectures:			W. B. Phillips, A.C.A. 0 10 6	
W. B. Hickman		0 10 6		5 15 0
Students' Society Classes:				
N. G. Ward	1 1 0			
G. P. Taylor, Jun.	0 10 6			
P. S. Barton	0 10 6	2 2 0		
" *Balance*:				
President's Prizes (part unawarded pending the result of the Partnership and Executorship Class Examination, shortly to be held)	1 11 6			
Part Donation unawarded	1 11 6	3 3 0		
		£280 6 0		£280 0 0

BALANCE SHEET at 30th March 1907.

Liabilities	£ s d	£ s d
Sundry Creditors		137 13 0
Subscriptions paid in advance		3 18 9
Prize Fund—Balance unawarded		3 3 0
Prize Fund—Donation from Mr. W. Ashworth, Five Annual Instalments of £2 2s. each ..	10 10 0	
Less Amount carried to Prize Fund this year	2 2 0	
		8 8 0
Surplus, viz:—		
Library Fund Donations, as per last Account	48 7 0	
Add—Balance at Credit of Revenue Account, 31st March 1906..	150 7 2	
	198 14 2	
Add—Surplus of Income over Expenditure for the year ended 31st *March* 1907	27 7 6	
		226 1 8
		£379 4 5

Assets	£ s d	£ s d
Books in Library, as per last Account	83 6 6	
Add Books purchased during the year ..	18 15 0	
	102 1 6	
Less 20 per cent. Depreciation	20 8 4	
	81 13 2	
Less Cash received under Library New Rule..	4 4 2	
		77 9 0
(The value of Books, &c., which have from time to time been presented to the Library is not included in the above amount.)		
Balance at Bank		223 0 9
Cash in hands of Librarian		1 10 8
Estimated Amount of Foundation Grant earned from Institute		51 10 0
Subscriptions in arrear		25 14 0
		£379 4 5

H. J. LUNT, A.C.A., *Hon. Treasurer.*

Audited and found correct,

H. LONGRIGG, A.C.A.
J. M. LEES, A.C.A.

MANCHESTER, *6th May* 1907.

Librarian's Report.

To the Committee of the Manchester Chartered Accountants Students' Society.

The number of books issued from the Library during the year ending 31st March 1907 is as follows:—

Section A.	Accounts, Auditing and Book-keeping..	1,049
B.	Executorship, Partnership, &c.	756
C.	Arbitrations, Bankruptcy, &c...	671
D.	Law, Mercantile and General ..	402
E.	Examination Guides, Transactions, &c.	249
F.	Miscellaneous Subjects ..	39
		3,166

This being a decrease of 311 books issued as compared with the previous year. It is difficult to account for the falling off in the number of books issued during recent years, but the comparative absence of suggestions leads one to presume that the Library still entirely supplies the needs of the students.

Your Librarian desires to acknowledge the valuable services of Mr. Beckett, in connection with the management of the Library.

JOSEPH BELL,
Hon. Librarian.

24th April 1907.

Reviews.

"Our Sons: Their Start in Life."

Reprinted from *The Guardian*, 5 Burleigh Street, Strand, W.C. Price 1s.

This small volume contains much interesting information with regard to the education and the finding of a future career for boys, to which are added two articles on professions and occupations for women. The outlook covered is sufficiently exhaustive, and, if we may judge of the whole from that portion which deals with accountancy, the work would appear to have been carefully compiled and very fairly put together. It deals with the subject in outline only, and further particulars should be obtained and studied in each case before arriving at any definite conclusion. Much time may, however, be saved by such a preliminary survey of the ground as that which is here comprised.

The Accountancy of Investment.

By CHAS. EZRA SPRAGUE, A.M., Ph.D., C.P.A.

New York, 1906. 3rd Edition.

This volume embraces the substance of certain lectures delivered by Professor Sprague at the New York University School of Commerce, Accounts, and Finance, which have now been re-arranged in the form of a text-book. Useful information is included on Interest, Discount, Annuities

Sinking Funds, and Amortisation and Valuation of Bonds, and an important feature of the author's treatment of the subject is that he does not make any very exacting demands upon the mathematical knowledge of the reader. The pronounced Americanism of the spelling will probably detract somewhat from the popularity of the work in this country, but, for all that, it appears to be well worthy of a careful study. Some useful compound interest tables, at rates varying from ½ per cent. to 6 per cent. are appended, which add considerably to the value of the volume. These are worked out to eight places of decimals, which, while doubtless necessary with the dollar unit, is wholly uncalled for when dealing with calculations in sterling under all normal circumstances.

Loose-leaf Books and Systems.

By F. W. Risque.

St. Louis, 1907: R. P. Studley & Co.
Price 12s. 6d.

[This work may be obtained in England from Messrs. Gee & Co., 34 Moorgate Street, London, E.C.]

Comprised in this volume will be found much that is of interest and of value explaining the application of the Loose-leaf System to books of account and business systems generally. The explanation is illustrated by numerous forms, many of which are prepared full size upon folding sheets, thus greatly facilitating their comprehension. In some respects the work resembles a manufacturing stationer's catalogue, rather than an ordinary text-book, but we do not think that objection can well be taken to it upon that ground, as the similarity arises entirely from the abundance of illustrations, which materially enhance the clearness of the volume.

Meetings for the ensuing Week.

Monday—Institute of Chartered Accountants.—Intermediate Examination, commencing at 10.30 a.m.

Tuesday—Institute of Chartered Accountants.—Intermediate Examination, commencing at 10.30 a.m.; General Purposes Committee, at 3 p.m.

Wednesday, and Thursday — Institute of Chartered Accountants.—Final Examination, commencing each day at 10.30 a.m.

Friday—Institute of Chartered Accountants.—Final Examination, commencing at 11 a.m.

Personal.

Messrs. Sydney-Merritt & Co., Chartered Accountants, of Valparaiso, Iquique, and Antofagasta, Chili, announce that to further facilitate their business they have opened an office in Santiago, the capital of Chili.

Mr. John M. Burtenshaw, Chartered Accountant, has commenced practice at Bush Lane House, Cannon Street, London, E.C.

Messrs. J. A. Gardner & Co., Chartered Accountants, have removed their offices from 44 Dean Street to Caledonian Insurance Buildings, Pilgrim Street, Newcastle-upon-Tyne.

Failures and Bills of Sale in England and Wales.

According to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday May 17th was 190, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 109; Deeds of Arrangement registered, 81. The respective numbers in the corresponding week of last year were: Bankruptcies, 118; Deeds of Arrangement, 98—total, 216; being a decrease of 26. The total number of commercial failures recorded during the 20 weeks of the present year is 3,116; the total number recorded in the corresponding 20 weeks of last year was 3,369, showing a decrease of 253.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday May 17th, was 156. The number in the corresponding week of last year was 142, showing an increase of 14. The total number filed during the 20 weeks of the present year is 3,046; the total number filed in the corresponding 20 weeks of last year was 3,036, showing an increase of 10.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday May 17th amounted to £757,175, by way of addition to £213,290, previously issued by the same companies. The amount registered in the corresponding

week of last year was £3,188,145, showing a decrease of £2,430,970. The total amount registered during the 20 weeks of the present year is £34,593,593 (in addition to the issues in previous years by the same companies), as compared with £34,966,244 for the corresponding 20 weeks in 1906, showing a decrease of £372,651.

How to Read the Balance Sheet of a Commercial Concern.

THE paper by Mr. F. W. Pixley, an eminent member of the Institute of Chartered Accountants in England and Wales, entitled "How to Read the Balance Sheet of a Commercial Concern," which was read before a Students' Society and has since been republished, contains very valuable suggestions, says *The Journal of Accountancy, N.Y.*, both as to the interpretation and the preparation of Balance Sheets. It aims to point out those hidden weaknesses in the affairs of a concern which a plausible Balance Sheet may conceal, and what supplementary information should be sought, if possible, to expose these weak spots. The Balance Sheets and reports of American concerns are probably more open to criticism than those of British ones in this respect of leaving information unsupplied, and Mr. Pixley's paper may very profitably be perused by us.

While commending the soundness of the author's views and the acuteness of his observations, we may venture to call attention to a few points to which exception may be taken by the critical reader.

In treating the Dr. side (which most of the world considers the Cr. side) of the Balance Sheet, he falls into the old confusion between the two uses of the word "capital," and struggles to apply to "Capital Account," or "Share Capital," that distinction between "fixed capital" and "working capital" which is only possible when we take "capital" in the economic sense of "capital assets" on the other side of the Balance Sheet. The "liabilities" side of the Balance Sheet gives no light whatever for classifying capital as to its use or nature; it merely classifies it as to whether borrowed or contributed. After vainly trying to distribute share capital between fixed, working, and circulating capital he gives it up; and he might as well have done so before wasting a large amount of space, between pages 12 and 16, on the bootless quest.

Mr. Pixley seems a little over-critical as to the use of the word "cash," which he seems to consider exactly equivalent to "money." He severely condemns the inclusion of the bank balance in "cash," and thinks that the expression "cash at the bankers" should be prohibited by law. He says, which is very true, that no banker could produce (he means at one time) money, or notes, or coin, to the extent of the balances claimed by the various companies on his books as "cash at bankers." But the word "cash" has in the best usage a more extensive acceptance than "money." It means all instruments of payment. And we hasten to say that this is not an "Americanism," or what some of our British friends call by the singular epithet "ultra-transatlantic."

No one is deceived by the phrase "cash in bank" or "cash at the bankers" into supposing that the banker has the exact number of sovereigns or five-pound notes set aside for each balance which is due from him. Every one of Mr. Pixley's auditors knew that "cash at the bankers" did *not* mean money.

In fact, it is only by a kind of corruption that "cash" has come to be used for "money," and originally it had no such meaning at all. "*La cassa*," "*la caisse*" have never acquired that meaning in Italian or French, and so it is with other languages which have borrowed it. "The cash" was originally the box or chest which was charged with all receipts and credited for all payments made by it; thence it became generalised into an expression for the treasury of a concern, for that department which collects and liquidates.

Not only in America, but in Great Britain, the Cash Book always contains transactions not only in money (the petty cash), but in bank funds, and the use of "cash" in the wider sense has the sanction of the best usage.

Mr. Pixley would call a five-pound note of the Bank of England, in the till, "cash"; but a credit on the books of the Bank of England would be denied that name; yet both are promises of the Bank to pay and nothing more; and the Bank never has, either in the Issue Department or the Banking Department, at any one time enough sovereigns to pay all its notes or all its current accounts. So that, by Mr. Pixley's reasoning, even Bank of England notes, as well as bank balances, should be excluded from "cash."

Sir William Temple, writing in 1672, said of the Bank of Amsterdam: "so as this bank is properly a general *cash* where every man lodges his own *money*."

Mr. F. W. Pixley sends the following comment on the above article:—

"The writer's statement as to the origin of the word 'cash' is no doubt correct, but I think in England, at any rate, the word is understood as 'money,' in fact I might go so far as to say 'ready money'; Bank of England notes are certainly looked upon as actual cash.

"With reference to what the writer says about my falling into the old confusion between the use of the word 'capital,' speaking from memory, so far from falling into confusion, I explained in my lecture that I did not think the term as used in political economy could be applied to Balance Sheets."

The Profession in Scotland.

COURT OF SESSION.

Edinburgh.—First Division

Before the Lord President, and Lords Mc'Laren, Kinnear and Pearson.

May 16.

The Jurisdiction of the Accountant of Court.

This was a report by the Accountant of Court made in terms of the Judicial Factors Act, 1880, asking the Court to lay down a rule to ensure similarity of practice in the Sheriff Courts in a matter pertaining to judicial factors. The question was whether judicial factors who were appointed in the Sheriff Courts, sitting as Commissary Courts, with the view of taking the position of executors dative on estates which fell to minors and pupils, were or were not subject to the jurisdiction of the Accountant of Court. The jurisdiction of the Accountant of Court is constituted by the Judicial Factors Act, 1889, Section 6, which provides that the Accountant of Court shall superintend the conduct of all factors appointed by the Court of Session or the Sheriffs. To the section there is a proviso enacting that nothing in the section shall be held to apply to executors dative. Certain Sheriffs and Sheriff-Substitutes have held that factors who are appointed with a view to confirmation are not under the jurisdiction of the Accountant of Court; and the Accountant asked for a rule on the subject.

The Court decided that such factors were under the jurisdiction of the Accountant of Court, and pronounced a rule accordingly.

The Lord President said that the learned Sheriffs who had held that these factors were not subject to the jurisdiction of the Accountant of Court thought that they came within the proviso; and the question came to be whether these factors came within the section or within the proviso. His Lordship was clearly of opinion that they were factors appointed by the Sheriff, for although he was sitting in the Commissary Court, he was none the less the Sheriff. Did they fall within the proviso applying to executors dative? He was of opinion that they did not. They came within the clause because they were factors, and it made no difference that they afterwards became executors dative.

The other Judges concurred.

Scottish Insolvencies.

For the week ending 18th May the number of insolvencies reported in Scotland was 31, as compared with 29 in the corresponding week of last year. The trust deeds numbered 17, as compared with 16; the sequestrations 4, as compared with 8; and the petitions for cessio 10, as compared with 5. The total number of insolvencies for the twenty weeks of the year is 573, as compared with 537 in the corresponding period of last year—the trust deeds numbering 278 against 256, the sequestrations 104 against 135, and the petitions for cessio 191 against 146. Of the 17 trust deeds reported during the week, 12 were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 59 for the twenty weeks.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1907	4%

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The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS

AND

ACCOUNTANCY THROUGHOUT THE WORLD.

VOL. XXXVI.—NEW SERIES.—No. 1695.] SATURDAY, JUNE 1, 1907. [PRICE 6d.

Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page 190*)

Licensed Houses **present some rather special features. The goodwill attaching to the license gives the lease or freehold of licensed premises a market value greatly in excess of their real value as buildings. To be properly considered, the value of the premises and the license must be separated. The former should be depreciated in the usual way, leaving the license alone to be considered. A license on freehold premises does not depreciate, but a license on leasehold premises passes away with the premises and must therefore be depreciated like a lease. A license may at any time be lost—either for misconduct or for no reason—but this is a contingency outside the scope of depreciation. It may, however, be provided against by Insurance, which would appear to be a most prudent course to adopt.**

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Leading Articles.

"Depreciation, with Special Reference to the Accounts of Local Authorities."

THE lecture on "Depreciation, with Special Reference to the Accounts of Local Authorities," which appeared in our issue of the 13th April last, has aroused a wide interest, which shows that this important subject of Depreciation is at the present time engaging very careful consideration in different centres.

Prof. DICKSEE's paper has been discussed in newspapers that devote themselves to local

government in its various aspects, and also by those papers dealing with engineering in its numerous developments.

As the paper was apparently written for the instruction of accountant students, it would be unfair to find fault with it upon the ground that it devotes too much time to comparatively elementary matters, a knowledge of which might be assumed upon the part of all who have made even a superficial study of municipal accounts and finance. None the less, however, it is to be regretted that, owing no doubt to this necessity of firmly paving the way as he went, the lecturer has, apparently owing to limitations of time and space, found himself obliged at the end to do little more than indicate the point which apparently he set out to prove. To this circumstance is no doubt in part due the misrepresentation that he has received at the hands of some critics; but such misrepresentation is not altogether excusable, inasmuch as anyone who takes the trouble to study the paper carefully, even if he has no very special knowledge of the subject in advance, can hardly fail to grasp what it is that the author is contending for.

A correspondent, whose letter appeared in our issue of the 20th April last, appears to have been somewhat impressed by what he regards as a discrepancy between the views put forward by the lecturer in the paper now before us and those contained in his handbook on Depreciation, issued some three or four years previously. We think, however, the discrepancy is not very apparent, but is in any event probably more apparent than real. In his earlier utterances the lecturer was at some pains to point out that the most that the statutory Sinking Fund could ever hope to accomplish was the retention of the *status quo*—a state of permanent indebtedness under which, as one loan was redeemed out of the Sinking Fund, another had to be issued to provide for renewals, with the result that the golden time foreshadowed by the advocates of municipal progressiveness—when the whole of the profits of trading departments would be available for the relief of the rates, and none would be diverted to capitalists in the form of interest on loans, and provision for the redemption thereof—could, in the nature of things, never arrive. In the paper now under consideration this aspect of the matter, all-important as it is, is thrown into the background, and the lecturer has addressed himself to the consideration of the question as to how far the statutory Sinking Fund can, under present conditions, be relied upon to maintain the *status quo*. And he has argued that, inasmuch as separate loans are not issued in respect of each individual asset acquired, and inasmuch as loans *en bloc* are issued for equated periods more or less accurately computed to represent the average life of the assets to be acquired, the inevitable result must be that if the undertaking is to be maintained in a proper state of efficiency, sooner or later heavy expenditure will have to be incurred upon renewals for which no borrowing powers will be available, which will in consequence, of necessity, have to be charged against revenue. He, therefore, pleads for an equitable apportionment of this necessary revenue charge for renewals against the revenue of successive years, and points out that this is for all practical purposes identical with the business man's provision for depreciation.

These arguments appear now to be generally admitted by those of our contemporaries who

represent municipal interests. It is hardly to be expected, of course, that they should execute a complete "right-about turn," but there is little doubt that an increasing number of local authorities will realise that some provision for renewals over and above the statutory Sinking Fund is called for, and that this provision should be made systematically upon a basis computed by careful calculation, and not haphazard out of surplus profits when there are any. So long as it is so made, there is, perhaps, no very great occasion to quarrel with the name attached to that provision in the published accounts. Clearly, however, the term "Reserve (for Renewals) Fund" more accurately expresses the nature of the provision than the statutory term "Reserve Fund," which is particularly unfortunate, inasmuch as that term possesses in connection with commercial accounts another and altogether distinct definition.

Mr. W. B. KEEN, F.C.A., who presided at the meeting of the Chartered Accountants Students' Society of London at which this paper was read, expressed a doubt as to whether, in the event of a trading department being run at a loss, it would be legal for the local authority to levy a rate solely for the purpose of adequately providing for renewals in the future. The question is one of considerable practical importance, but has little or no bearing whatever upon the soundness of the principles involved. Our public accounts are, of course, so far as statutory provisions are concerned, run very generally upon a cash basis, and we should not be greatly surprised to hear that it was illegal for a local authority to raise more money in any one year by way of rates than could be prudently spent during the ensuing fiscal period. If, however, there be any such disability—and the determination of this question is, of course, a matter of law rather than of account—a very excellent argument has been adduced in favour of the amendment of the existing law; but no argument whatever has been put forward in support of the popular delusion that in some semi-miraculous way the operation of the statutory Sinking Fund will eventually be to place the local authority in possession of a perfectly equipped undertaking, free of debt and in good working order.

The Education of English and American Accountants.

WE agree with our correspondent Mr. ALFRED PILLING, whose letter appeared in our issue of the 18th ult., that it is undesirable to attach too much importance to the assertiveness of the American press on the subject of English *v.* American accountancy practice. None the less, however, do we think it desirable that our readers should be kept informed of the statements that from time to time are put before their professional brethren in the States, and we accordingly make no apology for reproducing in the present issue an article on the education of English and American accountants which appeared in the April number of the *New York Journal of Accountancy.*

From this article we gather that at the present time professional accountancy in the States is in much the same state as it was in this country thirty years ago; that is to say, while it is able from time to time to produce exceptionally accountants of unusual attainments, it does so more or less accidentally, and not as a result of any systematic training,

in that in the States to-day, as here before the days of the Charter, the American accountant derives his early training elsewhere than in an accountant's office.

It is argued that the American system of university training, which is so much more usual in America than here, is upon a broader basis than the English, and it is admitted that it is perhaps unfortunate that the young accountant in the States gets no systematic personal instruction from his employer, although it is doubted whether in this respect he is very much worse off than his English contemporary. There are, no doubt, a great many English offices where the amount of personal training that the articled pupils receive from their employers is perhaps not very extensive, and it may well be that the system, which undoubtedly works well in this country, would not be suitable for bodily transplantation to the States, where, we are informed, the apprenticeship system has never been popular. We have further to take into account the somewhat distinguishing feature of American business life, that it appears to be quite usual for a man there to change his calling three or four times before he lights upon something at which he is successful, and such changes, so far from being regarded as evidences of failure, are attributed to him as a distinctive sign of enterprise. But, when every allowance has been made for differences of national temperament, we cannot help thinking that if there is one calling more than another in which it is thoroughness that tells in the long run, that calling is accountancy. The leading members of the profession are not ashamed to own that at the end of a long and successful business career they are still only students, and we cannot help thinking that a system that tends to encourage shifting about from one occupation to another on the part of a young man during the most receptive period of his life is a system that encourages waste of time. Moreover, so long as it is persisted in, we venture to predict that American accountants as a class will not be able to hold their own against British accountants, although doubtless the profession in America will continue to produce exceptionally men of unusual attainments.

We need not seriously concern ourselves with the latter portion of our contemporary's article. On paper, the Scottish Chartered Accountants' examination may seem more imposing, but we think the English Institute's Examination is more exacting. At the same time, it may well be conceded that a good case might easily be made out in favour of enlarging the scope of examination subjects; for admittedly the study of accounts, by its necessarily enforced attention to details, is apt to have a somewhat narrowing effect, which it should be the aim of a broadly-conceived educational course to as far as possible remove.

The Income Tax Changes.

[Contributed.]

If the Finance Bill of 1907 becomes law as it stands, the following amendments of the existing tax laws will require the attention of accountants and others who are professionally interested in income-tax assessments.

(1) Differentiation.

For the first time the principle of differentiation between earned and unearned income is introduced, for the benefit of the middle-class taxpayer who earns at least a portion of his income.

The following are the sections as they stand:—

"*Relief in Respect of Earned Income where Total Income does not exceed £2,000.*—18.—(1) Any individual who claims and proves, in manner provided by this section, that his total income from all sources does not exceed two thousand pounds, and that any part of that income is earned income, shall be entitled, subject to the provisions of this section, to such relief from income-tax as will reduce the amount payable on the earned income to the amount which would be payable if the tax were charged on that income at the rate of ninepence. (2) The relief given by this section shall be in addition to and not in derogation of any exemption, or other relief or abatement under the Income Tax Acts, except that where an individual is entitled to relief from income-tax under Section 8 of the Finance Act, 1898, or in respect of the payment of premiums, under Section 54 of the Income Tax Act, 1853 (as extended by any subsequent enactment), relief shall be given under this section only in respect of such earned income (if any) as remains after deducting therefrom the amount on which he is relieved of income-tax under the said Sections 8 and 54. (3) Where relief is given under Section 8 of the Finance Act, 1898, or Section 54 of the Income Tax Act, 1853, by way of repayment of the tax after relief has been given under this section, the amount repaid shall be adjusted so that the total amount of the relief given under this section and under the said Sections 8 and 54 does not exceed the amount which would have been given if the whole relief had been claimed simultaneously. (4) An individual who desires relief under this section must in cases where he is required to make a return for the purpose of the assessment of income-tax, claim that relief at the time the return is made, and must, in any case, claim that relief before the thirtieth day of September in the year for which the tax is charged. For the purpose of making a claim with respect to income-tax charged under this Act for the current year, any individual may, before the thirtieth day of September nineteen hundred and seven, substitute a fresh return for any return previously made by him. (5) An individual shall not be entitled to relief under this section in respect of any income the tax on which he is entitled to charge against any other person, or to deduct, retain, or satisfy out of any payment which he is liable to make to any other person. (6) Subject to the provisions of this section, all the provisions of the Income Tax Acts which relate to claims for exemption, relief, or abatement, or the proof to be given with respect to those claims, shall apply to claims for relief under this section and the proof to be given with respect to those claims."

"(7) For the purposes of this section the expression 'income' means income as estimated according to the several rules and directions of the Income Tax Acts; and the expression 'earned income' means—(*a*) any remuneration from any office or employment of profit held by the individual in the year of assessment; and (*b*) any income from any property which is attached to or forms part of the emoluments of any such office or employment of profit; and (*c*) any income which is charged under Schedules B or D in the Income Tax Act, 1853, and is immediately derived by the individual from the carrying on or exercise by him of his profession, trade, or vocation. In cases where a wife's profits are deemed to be profits of the husband, any reference in this provision to the individual includes either the husband or wife.

Special Provisions applicable to Partners.—19.—Where an individual carrying on or exercising any profession, trade, or vocation in partnership with any other person makes any claim for exemption, relief, or abatement under the Income Tax Acts, the income of the individual from the partnership for the year to which the claim relates may be treated separately for the purpose of any such exemption, relief, or abatement, and if so treated shall be deemed to be the share to which he is entitled during the said year in the partnership profits, such profits being estimated according to the several rules and directions of those Acts."

It will be seen that all claims for the relief given by the above sections must be made before September 30th at latest. There will be no means of obtaining later adjustment, and no machinery for repayment. Also it should be noticed that abatements on account of the total income not exceeding £700, and on account of life insurance, must be made as far as possible from assessments on *earned* income, leaving only the balance (if any) to receive the benefit of the differentiation. A third point to emphasise is that the lower rate is not to be charged on any part of the assessment which is in respect of interest, &c., due to other persons—such payments will need, therefore, to be distinctly shown on the claims, so that tax may be charged thereon at the full rate.

The section as to partnerships (above) shows that the share of a partner is deemed to be his proportion (one-half, or whatever his agreement entitles him to) of the earned profit in the assessment. For instance, if the assessment arrived at

in the ordinary way is £1,500, and out of this there is £200 interest due to outsiders, then £1,300 is the earned part of the assessment, and the partners should divide up this sum on their forms in the legal proportion.

(2) RETURNS.

The Bill extends from public bodies, &c., to private firms and persons the liability of employers to show the salaries paid to their employees. It makes compulsory a return of the names, addresses, and remuneration of all employees except those not in any other employment and receiving less than £160 a year. It also insists, with penalties, that all persons upon whom statutory forms are served shall make returns thereon, even if they have no untaxed income to declare.

The two sections dealing with returns are :—

"*Particulars to be given by Employers.*—20.—(1) Every employer, when required to do so by notice from an assessor, shall, within the time limited by the notice, prepare and deliver to the assessor a return of the names and addresses of any persons employed by him, to whom this provision applies, and of the payments made to those persons in respect of that employment, and Section 55 of the Income Tax Act, 1842, shall apply with respect to any such return as it applies with respect to the lists, declarations, or statements mentioned in that provision. This provision applies to all persons employed by an employer, except persons who are not employed in any other employment, and whose remuneration in the employment for the year does not exceed the sum for the time being fixed as the limit for total exemption from income-tax. (2) Where the employer is a body of persons, corporate or unincorporate (including a company), the secretary of the body, or other officer (by whatever name called) performing the duties of secretary, shall be deemed to be the employer for the purposes of this provision, and any director of a company, or person engaged in the management of a company, shall be deemed to be a person employed."

"*Liability to make Returns.*—21.—(1) Every person upon whom notice is served in manner prescribed by Section 48 of the Income Tax Act, 1842 (which relates to the delivery of notices by Assessors), requiring him to make a return of any profits, gains, or income in respect of which he is chargeable with duty under Schedule D or Schedule E in the Income Tax Act, 1853, shall make a return in the form required by the notice, whether he is or is not chargeable with duty, and in default shall be liable to a penalty under Section 55 of the Income Tax Act, 1842, accordingly. Provided that a penalty inflicted in the case of a person proceeded against for not complying with this provision, who proves that he was not chargeable to duties, shall not exceed five pounds for any one offence. (2) The duties imposed on officers of any corporation, company, fraternity, fellowship, or society by Sections 40 and 54 of the Income Tax Act, 1842, and by Section 18 of the Customs and Inland Revenue Act, 1879, shall, in the case of any company, be performed by the secretary of the company, or other officer (by whatever name called) performing the duties of secretary."

The responsibility placed upon secretaries of companies and upon persons occupying similar posts should be particularly noticed, as the old Acts looked to the treasurer or auditor to perform the statutory duties.

(3) EXTENDED TIME FOR PENALTIES.

Section 22 of the Bill enables the Revenue to make additional assessments or commence proceedings for the recovery of penalties within three years from the year of assessment or from the date the penalty was incurred. This is, no doubt, intended to strengthen the hands of the Crown's officers when cases of evasion or of undercharge are discovered. It may, indeed, be safely anticipated that refusals to make good any loss sustained by the Revenue through insufficient returns will now be of rare occurrence, seeing that the alternative may be a heavy infliction of penalties.

The section reads as follows :—

"*Extension of Time for Certain Proceedings.*—22.—(1) Notwithstanding anything in an Acte concerninge Informers, being chapter five of the Acts of the thirty-first year of the reign of Queen Elizabeth, or in Subsection 4 of Section 21 of the Taxes Management Act, 1880, or in Subsection (2) of Section 22 of the Inland Revenue Regulation Act, 1890, or in any other enactment, proceedings for the recovery of any fine or penalty incurred under the Income Tax Acts may be commenced within three years next after the fine or penalty is incurred. (2) The time during which an assessment may be amended or an additional first assessment made under Section 52 of the Taxes Management Acts, 1880 (which relates to the amendment of

assessments by Surveyors), or during which an assessment may be made on the estate of a deceased person under Section 24 of the Customs and Inland Revenue Act, 1890 (which relates to the power to make such assessments), shall be any time within the year of assessment or within three years after the expiration thereof, and the time during which in cases of omission to charge any person a charge may be made under Section 63 of the Taxes Management Act, 1880 (which relates to the powers of Surveyors to make such charges), shall be a period of three years after the expiration of the year for which the person ought to have been charged."

(4) THE AVERAGE SYSTEM.

The proposal to abolish Section 133 has already caused a considerable amount of comment in the press. But the fact is that this section has acted unfairly between various taxpayers, as well as being the cause of heavy loss to the Revenue. Fluctuating businesses have been able to destroy the average when profits went downward, so that, in effect, they never paid the full tax on good years at all, whilst steady businesses had no such chance of evading their just burden. The only merit of the section was the relief it afforded in times of bad trade, but accountants need hardly be reminded that the apparent hardship in such cases can be met by the trader setting aside the full tax in good years as a reserve for the liability in future averages. If, however, the section were entirely abolished, there might be a real hardship in the case of new businesses during their first three years before a proper average can be calculated. To meet this difficulty, the relief allowable in such cases has been retained, in favour of the taxpayer, as the following section of the Bill will show:—

"*Provisions with Respect to Computing Profits by Average of Three Years.*—23.—(1) Section 133 of the Income Tax Act, 1842, and Section 6 of the Revenue Act, 1865 (which provide for the reduction of assessments or the repayment of duty in certain cases where the profits of the year of assessment fall short of the sum on which the assessment has been made), shall be repealed. (2) Where a person charged or chargeable with income-tax in respect of any profession, trade, or vocation which has been set up or commenced within the period of three years upon the average of which the profits or gains are to be taken under the Income Tax Acts, or within the year of assessment, proves at the end of the year of assessment to the satisfaction of the Commissioners by whom the assessment has been or can be made that the actual profits or gains arising from the profession, trade, or vocation in the year of assessment fall short of the profits or gains as computed in accordance with those Acts, he shall be entitled to be charged on the actual amount of the profits or gains so arising instead of on the amount of the profits or gains so computed, and, if he has paid the full amount of the tax on the profits or gains so computed, be entitled to repayment of the amount overpaid."

It is considered that, with the second subsection affording relief in case of need, the average system will now be a perfectly fair one—at least, as fair as any other fixed basis, such as that of the preceding year, for in any case the taxpayer must be held liable to pay on a profit which will not necessarily be his current year's result, and whether the assessment is based on one previous year or on an average of three years is hardly material to him, while it is distinctly important to the Chancellor of the Exchequer in making his Budget calculations, the average preserving the Revenue from great fluctuations.

(5) ROYALTIES.

The next section amends the law with respect to the taxation of royalties, which will hereafter be taxed at source by deduction—the tax being accounted for by the person deducting the same, as in the case of interest:—

"*Payment of Tax on Royalties by Deduction.*—24.—(1) In estimating, under any schedule of the Income Tax Acts the amount of the profits and gains arising from any trade, manufacture, adventure, concern, profession, or vocation, no deduction shall be made on account of any royalty or other sum paid in respect of the user of a patent, but the person paying the royalty or sum shall be authorised, on making the payment, to deduct and retain thereout the amount of the rate of income-tax chargeable during the period through which the royalty or sum was accruing due. (2) Subsection (3) of Section 24 of the Customs and Inland Revenue Act, 1888, shall apply to any such royalties or sums as it applies to interest of money or annuities charged with income-tax under Schedule D in the Income-tax Act, 1853."

(6) DEPRECIATION.

The Act will contain an important concession in connection with the allowance made for depreciation of machinery by reason of wear and tear. Hitherto, if a business made a loss, or not sufficient gross profit to cover the due allowance for

depreciation, the assessment was *nil*, and there was an end of the matter. But, in future, the depreciation insufficiently allowed for such a reason may be carried forward for deduction in future years. It should, of course, be carefully claimed at the time, so that the amount to be carried forward may be agreed to by the Surveyor and Commissioners.

The whole section, which contains minor provisions also, is as follows :—

"*Provisions with Respect to Wear and Tear of Machinery or Plant.*—25.—(1) For the purpose of enabling deductions for wear and tear to be allowed by the additional Commissioners, claims in respect of those deductions shall be included in the annual statement required to be delivered under the Income Tax Acts of the profits or gains of the concern for the purpose of which the machinery or plant is used, and the additional Commissioners in assessing those profits and gains shall make such allowances in respect of those claims as they think just and reasonable. (2) No deduction for wear and tear or repayment on account of any such deduction shall be allowed in any year if the deduction, when added to the deductions allowed on that account in any previous years, will make the aggregate amount of the deductions exceed the actual cost of the machinery or plant. (3) Where as respects any trade, manufacture, adventure, or concern full effect cannot be given to the deduction for wear and tear in any year owing to there being no profits or gains chargeable with income-tax in that year, or owing to the profits or gains so chargeable being less than the deduction, the deduction or part of the deduction to which effect has not been given, as the case may be, shall, for the purpose of making the assessment for the following year, be added to the amount of the deduction for wear and tear for that year and deemed to be part of that deduction, or if there is no such deduction for that year, be deemed to be the deduction for that year, and so on for succeeding years. (4) In this section the deduction for wear and tear means the deduction allowed, or which would be allowed, under Section 12 of the Customs and Inland Revenue Act, 1878, as representing the diminished value, by reason of wear and tear during the year, of machinery or plant used for the purposes of any trade, manufacture, adventure, or concern."

(7) Losses in Trade, &c.

The last of the clauses affecting income-tax in the new Bill is the following short amendment of Section 23 of the Customs and Inland Revenue Act, 1890, allowing appeals under that section to be made to the Special as well as to the General Commissioners :—

"*Power of Commissioners for Special Purposes to Allow Relief under Section* 23 *of* 53 & 54 *Vict. c.* 8.—26.—Any application for relief under Section 23 of the Customs and Inland Revenue Act, 1890, may be made either to the Commissioners for the general purposes of the Acts relating to income-tax as provided in that section or to the Commissioners for the special purposes of those Acts, and the last-named Commissioners shall have the same power under that section as the first-named Commissioners have."

On the whole, it will be agreed, by those who have any acquaintance with the present working of the income-tax, that the Finance Bill of 1907 is a move in the right direction. It will, of course, be remembered chiefly for its introduction of the principle of differentiation into our tax legislation —a principle which will, no doubt, be carried further in later Budgets. It need hardly be said that the Income Tax Department will again be severely strained in carrying these changes into practice, but it is understood that a large increase is about to be made to the staff to meet the emergency.

Weekly Notes.

The Incorporated Accountants' Annual Meeting.

The twenty-second annual general meeting of the Society of Accountants and Auditors was held at Salisbury House, E.C., on Thursday, the 23rd ult., and will be found fully reported elsewhere in our columns. The President, in the course of his address, referred to the twenty-first anniversary celebration of the Society which had been held in November last, and stated that matters had progressed with greater rapidity than appeared possible twelve months ago. On the 31st December last the membership of the Society was 2,111, of whom 828 were Fellows, while during the year 1906 309 candidates took the Society's examinations, as against 153 in 1900. He then referred to the litigation which, in January last, resulted in an order of Court which recognises the title "Incorporated Accountant" as being the distinctive property of members of the Society. These, however, are matters which have already been referred to in these columns at length. Dealing with the subject of legislation for the profession, Mr. Rayner stated that he, together with the Vice-President, the Chairman of the Parliamentary

Committee, and the Secretary, had been discussing with representatives of the Institute of Chartered Accountants proposals for a Registration Bill for England and Wales. The negotiations had not yet proceeded sufficiently far to enable him to make any announcement, but he expressed the hope that they would ultimately lead not only to a Registration Bill for England and Wales, but also for the inclusion of Scotland and Ireland. Mr. Rayner cordially acknowledged the zeal and singleness of purpose with which the President of the Institute, Mr. W. B. Peat, had kept the subject of registration for the profession not only before the members of the Institute, but also before the public. He mentioned that it was a policy that had been advocated by the Council of the Society for the last twenty years, but they had expressed their willingness, if the Institute would lead the way, to give them their whole-hearted co-operation, and they had good hopes of a satisfactory result being achieved. The proceedings terminated with a handsome presentation to Mr. James Martin in recognition of his twenty-one years' service as Secretary to the Society, and to the cause of professional accountancy. Those who recognise the extent to which the success of the Society has been due to the labours of its indefatigable Secretary will appreciate that, in thus honouring Mr. Martin, Incorporated Accountants have been doing but the barest justice to the man who is chiefly responsible for the position occupied by Incorporated Accountants at the present day.

A Little Question of Reserve. An evening paper recently stated that the Bank of England Reserve had been advanced to £24,680 18s. 2d., and a financial daily, with that spirit of facetiousness which so frequently leavens the dullness of commercial journalism in these days, says that, if it had not been for the loose change, the monetary position might be considered very shaky, and that by a curious typographical error the Bank of England authorities gave the amount as £24,680,182!

United States Stock of Money. The *Wall Street Journal* claims that the United States has one-fifth of all the money in the civilised world, although it only contains one-sixteenth of the total population. In addition to this, it holds more gold than any other country on the face of the globe, the total being 23 per cent. of all the gold in the world's coinage. France comes next in order, but our American cousins claim to have more gold than France and England put together, likewise that there is more gold in banks as reserve against credits than in any other country. Not content with this, it is stated that America also contains more silver coinage than any other country, its proportion of the silver money being about 21 per cent. If this sort of thing goes on, it will soon be necessary to look round for another continent, so as to give the United States room to expand.

Statutory Reserve and Depreciation. We extract the following from a report of the chairman's speech at the recent annual meeting of a well-known concern. The paragraph in question is not spoilt by being removed from its context, but it is somewhat difficult to clearly understand:—

> "You may have observed that in this year's accounts this heading has been eliminated, except in so far as it appears in the Balance Sheet as part of the amount deducted for exhaustion of raw material. When this company was put into its present form the Chilian Government ordered us to set aside 5 per cent. of our profits every year. I don't think anybody knows for what purpose this 5 per cent. is to be employed, so we have kept it separate hitherto, and used it as a Depreciation Fund. As, however, it creates a complication in the Balance Sheet, making it less easy to understand, we hope to be able to eliminate it altogether from the published Balance Sheet, merely taking care in our accounts to reserve the 5 per cent. ordered. The reason for the action of the executive was, of course, to ensure against the payment of excessive dividends. We think, however, that, even if the statutory reserve is not specifically mentioned in the Balance Sheet, we are not likely to be accused of this imprudence."

In the first place the chairman does not appear to understand why the Chilian Government initiated the statutory reserve, but a little later on he gives a reason, the need for prevention of payment of excessive dividends. As to how far a reserve of this kind may be used as a Depreciation Fund it would be difficult to say without knowing more of the details, but the point seems to be one that might very well be considered.

Bankrupt Solicitors. It may be remembered that at the recent meeting of the Law Society the President warned bankrupt solicitors that unless they obtained their discharge before the next meeting they would not be entitled to, and would not receive, their practice certificates, and that it might be taken as perfectly clear that the Council had determined that they would not grant certificates to gentlemen who were undischarged bankrupts. *The Solicitors' Journal*

reports that this statement occasioned some surprise, as it had been previously understood that when the granting of certificates came to be considered the circumstances surrounding each bankrupt would be investigated, and notice taken as to whether the bankruptcy was due to misfortune or misconduct. It is also stated that during the present year this course has hitherto been adopted, for out of eighty solicitors who were undischarged bankrupts thirty-seven are stated to have been granted certificates, and our contemporary cannot see any reason for altering this practice. It may be that the warning of the President is intended to apply to those who have obtained certificates in the past on the ground that misfortune had dogged their steps, and that in future the certificates will be denied unless they have obtained their discharge. It is said that this does not seem unreasonable, but that it is not easy to gather from the President's language whether this was the meaning he desired to convey.

Insolvency Legislation at Cape Colony. It is reported that a Bill will be introduced during the next session of the Cape Parliament to provide for the recognition in Cape Colony of trustees and liquidators appointed elsewhere in the British dominions. We understand that the text of the Bill has been published, and we should be glad if some of our friends in South Africa would supply us with a summary of its contents.

Mensa et Thoro. *The Financial Times* tells a very humorous story concerning a gentleman who held a high position in a certain large public company, but unfortunately had to relinquish this position owing to a nervous affliction. On inquiring at the office regarding him, an acquaintance of the invalid was gravely informed that Mr. Blank was very much better, but suffered so much with his head that he would never be able to resume his old position, and he had been made a director.

Bank Nomenclature. An American banking house has, it is reported, invented a new phrase, which appears likely to become popular in financial circles, at any rate so far as the United States is concerned. The term "a vault clearance sale" hardly needs any explanation, and its terseness has all that quality which one expects to find in well-turned phrases. The vaults of the banking house having become overstocked with securities, it advertises a clearance sale, after the manner of the large draper, and, if the idea catches on, we may wake up to find stocks and shares advertised for sale at 1s. 11¾d., with, perhaps, a packet of pins thrown in to make up level money.

Realisation of Estates. The interesting correspondence which we noticed in our last issue has been continued in *The Financial Times*, and Mr. H. W. Marshall, in the course of a long letter, states that the case of *In re Slater; Slater v. Slater* has nothing whatever to do with his suggestions. He goes on to say that he did not refer to specific legacies, but to the advisability of testators bequeathing legacies conditionally on the choice being left with the executors to transfer such legacies, either in cash or its equivalent, in any stocks or shares of which a testator may be possessed, such securities to be valued for this purpose at the current market price prevailing at the time of decease, and the choice of same to be left absolutely at the discretion of the legal representatives. He considers that as no special stock or share is mentioned and the choice left to executors, under these conditions no legacies can possibly fail through conversion of stock, such as was referred to in the case mentioned; nor could the sale of stocks or any change of them during the testator's life in any way affect the validity of legacies so conditionally bequeathed. A further suggestion is made that if testators extended instructions to their executors and permitted them to retain securities which stood in weak markets until prices were propitious, and without risk to themselves, much greater advantage would be obtained. Mr. Marshall does not consider that there is any need for a short Act, such as had been suggested by another correspondent, and he maintains that it is quite within the present powers of any testator to bequeath a legacy conditionally upon the legatee receiving it either in cash or kind, and this at the discretion of the executors.

Friendly Society Funds. At the annual conference of the Manchester Unity of Oddfellows, held at Folkestone last week, a new rule was passed empowering any lodge or district to send sums of ten pounds, or multiples thereof, for investment by the central office of the Society, provided that the rules of the lodge or district authorised the investment of funds in the names of the trustees, all such sums bearing interest at the rate of 3 per cent. per annum, payable half-yearly, and to be withdrawable in sums not exceeding fifty pounds upon seven days' notice being

given. The rule will no doubt prove a boon to individual lodges, but it seems questionable whether the central office will be able to so invest the moneys forwarded to it as to enable it to realise a clear 3 per cent. after payment of all expenses, including the possibility of loss on the realisation of investments. The limitation as to the withdrawal of large sums only after due notice will, no doubt, have the effect of reducing so far as possible such losses upon realisation, but it remains to be seen whether it will be possible to work the scheme without loss to the central office.

The London County Council Audit. During the past few weeks very little has been heard of the commercial audit which it was very clearly understood would be forthwith inaugurated as a result of the return of the Moderate party to power in the London County Council. It is thus of interest to observe that in reply to a question asked at a recent meeting of the Council Mr. A. F. Buxton, the Chairman of the Finance Committee, stated that the matter of a commercial audit of the Council's trading accounts had not yet reached the stage of the appointment of a firm of Chartered Accountants, but was in the hands of a sub committee, who were at work upon it. They had already submitted a preliminary report, and were meeting again to deal further with the subject. The information thus afforded by Mr. Buxton is not very specific, but if, as we gather, it is the intention of the Council to appoint one firm of Chartered Accountants to perform the audit referred to, we think they will be making a great mistake. As we have already pointed out, it is above all things important to guard against any possibility of the auditors' report being regarded as having been in any way affected by considerations of party politics. To avoid this there is obviously no better precaution possible than to employ two or three firms, that their united report may be regarded as representative not merely of the views of individual Chartered Accountants, but of the leaders of the profession.

Gas Companies' Accounts. The question raised by our correspondent "Enquirer" last week is, of course, not one of any vital importance. We may mention, however, that it would, we think, from every point of view, be preferable that the annuity payable to the late manager should be debited to the Profit and Loss Account rather than to the Revenue Account. Such a charge cannot be seriously regarded as part of the cost of the manufacture or distribution of gas, nor indeed as part of the administrative expenses, unless it be retired pay which was taken into consideration at the time that the late manager was appointed. We take it that it is rather in the nature of an allocation of profits, and as such would be better debited to Profit and Loss Account.

Income Tax. In reply to our correspondent "Hopeful," whose letter we reproduced last week, we may say that a company is not liable to pay income-tax under the circumstances stated. An application for the repayment of tax overpaid may now be made in respect of the current and the two preceding fiscal years.

Government Auditors. The letter signed "Marcus," which appeared in our Correspondence column last week, is of interest as showing the disadvantages under which an undertaking labours by being compelled to submit to the recommendations of an official auditor upon questions of account-keeping upon which he knows little or nothing, save, perhaps, what is absolutely out of date. Qualified accountants who are auditors do not as a rule recommend alterations in the system of bookkeeping unless such alterations are really essential for the efficient checking of the accounts, or their opinion has been expressly invited. Unqualified auditors, however, naturally feel no such diffidence, and it is thus by no means surprising that official auditors should attempt to force inadequate or obsolete methods of bookkeeping upon the local authorities which are virtually compelled to submit to their dictation. Our correspondent adds that he is a firm believer in the Government Auditor, provided a qualified accountant is appointed. If qualified accountants were appointed, many of the objections to the existing system would, of course, be removed, but the difficulty would not be altogether solved. It is a curious but undoubted fact that persons appointed to official positions show a marked tendency to fossilise at a comparatively early age: being exempt from the necessities of competition, they lose touch with what is going on, and rapidly become out of date. Thus, even supposing a qualified accountant be appointed as an official auditor, the probabilities would appear to be greatly in favour of his being no longer qualified, in the best acceptation of the term, say ten years afterwards. The appointment of qualified men in the first instanc

would undoubtedly be an enormous step in the right direction, but it would not of itself obviate the objections to official systems.

Auditors and the Companies Bill. Our correspondent "Scot," whose letter appeared in our last issue, complains that an amendment has been incorporated in the Companies Bill, which has now passed through the House of Lords, requiring that at least one of the auditors of every company having a nominal capital of fifty thousand pounds shall be a person who publicly carries on the business of an accountant. His objection is not that an attempt should have been made to restrict the audits of important companies to qualified persons, but is, apparently, that the clause as it now stands will make Chartered Accountants who are not in practice unable to accept appointments as company auditors; and he thinks that the question should interest the younger members of the Institute, adding that he presumes that in England a man intending to go into business usually gathers a few appointments before putting up his name. We trust that we are not misinterpreting our correspondent, but we should like to point out that Chartered Accountants not in practice are presumably in the employment of those who are, under such circumstances that there is a very clearly implied, if not actually expressed, arrangement between the parties that the employer has the benefit of the whole of the services and energies of the employed. Few practitioners would, we imagine, care to pay a regular salary to a man who outside of office hours was actively engaged in competing with him at his own calling, for although probably the actual competition itself would not be serious, the fact of its existence would of necessity detract the best of the employee's energies from the work of his employer, and concentrate them upon those matters in which he was personally concerned. We do not know whether it occurred to anyone, when this amendment was agreed to, that it would have the effect of preventing Chartered Accountants' clerks from undertaking the audit of important companies in their spare time, but however that may be it must, we think, be admitted that this is a most desirable effect.

"F.C.A." and "A.C.A." We are not quite sure that we grasp the purport of the letter from Mr. C. Edgar Finney, which appeared in our issue of the 18th ult., but if we understand our correspondent correctly, he takes the view that the funds of the Institute are more than ample for its requirements, and that it would be an advantage if the income of future years were to be reduced by the abolition of the larger subscriptions and fees charged to Fellows, so that the distinction between F.C.A. and A.C.A., if retained at all, involved no difference in financial obligations. We are afraid that these views are not likely to commend themselves to the majority. If indeed it were admitted that the income of the Institute is unnecessarily large, and that, therefore, a good case had been made out for reducing subscriptions, it would seem that the younger members, possessing presumably the smallest incomes, could at least establish a good claim to participate in that reduction. On the other hand, we venture to think that the majority will take the view that the subscriptions at present in force are quite low, and that those who cannot afford to pay even these are not very likely to prove desirable members. The question as to the necessity of piling up funds at the rate of three thousand pounds per annum is, however, a somewhat interesting one. There is obviously nothing to be gained by accumulating moneys for the mere sake of doing so, but we do not seriously suppose that it will be found impossible to make good use of the Institute's funds in the future.

Current Law.

(Under this heading are noted from time to time the salient features of decisions of interest which, so far, have not appeared in our "Law Reports." As, however, these notes are necessarily greatly condensed, reference should in all cases be made to the fuller report when it appears.)

ADMINISTRATIONS.

In re Wedmore; Wedmore v. Wedmore.

Kekewich, J.

Held, that a legacy given in satisfaction of a debt abates with general legacies when the estate is insufficient to pay all legacies in full.—(*Times*, May 16.)

COMPANY LAW.

In re Kent Collieries, Lim.; Day v. The Company. C.A.

Decision of Parker, J. (*Accountant* Law Reports, XXXVI., p. 59), confirmed. A creditor holding debentures as collateral security may vote at a meeting of debenture-holders upon the face value thereof, even if in excess of the amount due by the company.—(*Times*, May 17.)

Poole and Others v. The National Bank of China, Lim. H.L.

Held, confirming decision of Courts below, that a scheme for reduction of capital is not necessarily inequitable because it provides for the writing down of founders' shares before exhausting an existing Reserve Fund.—(*Times*, May 29.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

A Definition of "Capital."

(*To the Editor of The Accountant.*)

SIR,—One of the questions set by me for the recent Preliminary Examination of the Institute of Bankers was—"Give your definition of capital in respect of a firm or of an individual." One of the answers reads as follows:—

"Capital is to a firm or an individual as coal is to a steam engine."

Although not the kind of answer I was expecting, it is certainly not without merit, and shows that the candidate had grasped the general idea.

I send it you as it may interest your readers.

Your obedient servant,

GÉRARD VAN DE LINDE.

Thunersee, Switzerland, 25th May 1907.

Breweries and Income Tax—Compensation Charges.

(*To the Editor of The Accountant.*)

SIR,—Referring to the letter of Mr. Daniel Hill on the above—in your issue of the 18th inst.—I shall be greatly obliged if he will kindly give further particulars of the claim put forth before the Income Tax Commissioners. I have a case now before the Local Surveyor of Taxes, who refuses to allow the compensation claim, and in doing so says that he is acting on his instructions, as the question has not yet been settled on appeal. Mr. Hill rightly says his information is indeed of interest to your readers. This will no doubt be increased by his further reply to this letter.

Yours faithfully,

HAROLD D. NEWSUM.

Doncaster, 25th May, 1907.

Income Tax.

(*To the Editor of The Accountant.*)

SIR,—In reply to "Hopeful," my firm have had to deal with a similar case, but the Surveyor of Taxes, on being interviewed, has allowed the payment of tax to stand over until the interest should be paid, and where a portion of such interest has eventually been foregone, has accepted our certificate to that effect and discharged the assessment.

Yours truly,

25th May 1907. LEDGER.

Company Accounts.

(*To the Editor of The Accountant.*)

SIR,—I shall be glad to hear your views as to the correct treatment in the accounts of the following peculiar case:—

A company is floated for £8,000, the Balance Sheet on the company taking over standing as follows:—

Dr.		*Cr*	
Sundry Creditors ..	£1,000	Plant, Machinery, &c.	£3,000
Capital	5,000	Goodwill	2,250
		Sundry Debtors ..	500
		Stock	250
	£6,000		£6,000

The vendor is to receive 5,000 fully paid-up ordinary shares *to be issued as and when debentures to that value are taken up.*

The reason the issue of the shares to vendor is subject to this condition being that there is not sufficient working capital, and the vendor undertakes to find this capital amongst his friends and relations on debenture.

Contracts were entered into prior to the incorporation of the company to take up £2,500 in debentures.

Should a "Shares to be Issued Account" be credited with the £5,000 and the vendor debited, and as the shares are issued credit "Ordinary Share Capital Account" and debit "Shares to be Issued Account"?

Yours faithfully,

Leeds, 27th May 1907. ENQUIRER.

Valuation of Stock.

(To the Editor of The Accountant.)

SIR,—A client of mine, a trader, when closing his accounts, values his stock on hand at net trade cost, that is, at invoice prices, less trade discount. He almost invariably pays prompt cash, and is allowed a further discount on that account.

I contend that the cash discount should be allowed for when taking stock; but my client demurs on the ground that the cash discount is a matter quite separate from the purchase of the goods. He says further:—"Suppose I do not pay prompt cash, and am not "allowed discount, must I still deduct from the value "of my stock the discount I might have earned, but "actually did not earn?" I say that theoretically he should do so.

Can you inform me if my view is general amongst the profession?

Yours faithfully,

27th May 1907. VIGILANT.

Accounts and Statistics.

(To the Editor of The Accountant.)

SIR,—I beg to apply to you with the following question: Could you kindly give me the name of a book treating on Statistics as applied in Accounts?

It seems rather difficult to find some literature on this subject in another than the English language.

Tendering you beforehand my sincere thanks for your kind information,

I am, dear Sir, yours truly,

Amsterdam, 27th May 1907. S. HOOFIËN.

The Question of an Auditorship.

(To the Editor of The Accountant.)

SIR—In your Weekly Notes in the issue for the 25th May, under the heading "The Question of an Auditorship" we notice certain details, taken from *The Financial News*, of a case in the Chancery Division before Mr. Justice Kekewich, in which we were the plaintiffs. As the report you quote is somewhat misleading, we give for your information the true facts of the case.

At the annual general meeting of the company in ·bruary 1906 a committee of shareholders was appointed, and amongst other recommendations in their report was one to the effect that it was undesirable that the *auditor of the company should be a partner in a firm of Chartered Accountants, in which one of the directors of the company was also a partner, as was the position in this case.*

At the annual general meeting in February 1907 we were nominated as auditors in accordance with the recommendation contained in the report above-mentioned in opposition to the retiring auditor, and on a show of hands were duly elected. Thereupon the *Chairman of the company, notwithstanding that he had stated at the commencement of the meeting that the question of the auditor was a matter for the shareholders, which was also stated in the directors' reply to the shareholders' Committee report, demanded a poll, as a result of which poll we were defeated.* It subsequently transpired that the poll had not been properly demanded in accordance with article No. 61 of the articles of association, which states *inter alia* "That "a poll must be demanded in writing by at least five "members of the company."

We were, therefore, advised by our solicitors that we were the duly elected auditors of the company, and after *correspondence on the matter extending over two months*, and a demand under Section 23 of the Companies Act, 1900, to exercise our rights as auditors, which was refused, we were compelled, in order to obtain a settlement of the matter, to issue a writ against the company to obtain a declaration that we were the duly elected auditors, and also a motion restraining the former auditor from acting as such.

At the hearing of the action on May 16th before Mr. Justice Kekewich, who stated that in his opinion *it was very improper for the auditor of a company to be a partner of one of the directors, the defendants acknowledged the illegality of the poll* and proposed a settlement on the following terms:—That the former auditor and ourselves should retire in so far as either had been elected, thereby leaving the company without an auditor, and that his Lordship should nominate an independent auditor as is stated in your report. We were advised by our counsel to agree to this settlement, as he pointed out that we could not professionally thrust ourselves on unwilling clients.

Yours faithfully,

GEDGE, ILOTT & McLEOD.

London, 28th May 1907.

The Society of Accountants and Auditors
(Incorporated 1885).

Annual General Meeting.—The Question of Registration.

THE twenty-second annual general meeting of the Society of Accountants and Auditors (Incorporated 1885) was held on Thursday, May 23, at Salisbury House, London Wall, E.C., Mr. WM. G. RAYNER, the President, in the chair.

The SECRETARY (Mr. James Martin) read the notice convening the meeting and the report of the Auditors.

The following are the

REPORT AND ACCOUNTS.

The Council have pleasure in submitting to the members their twenty-second annual report.

The names of 122 new members were entered upon the Society's roll, 12 student members (elected prior to 1902) qualified as Associates, and 28 Associates were advanced to the degree of Fellow.

The figures for the past three years show :—

	1904	1905	1906
New Members Elected ..	66	92	122
Student Members Elected Associates	45	28	12
Associates Elected Fellows ..	15	29	28

The total number of members on the roll on December 31st last was 2,111, and consisted of 828 Fellows and 1,282 Associates, and one honorary member not otherwise included. At the close of the year there still remained in addition 70 student members elected prior to 1902. Three Fellows also rank as honorary members.

The Council regret that the deaths of eleven Fellows and ten Associates were reported during the year.

The number of candidates at the Preliminary, Intermediate, Final, and Equivalent to Final Examinations was 309, of whom 224 passed and 85 failed.

Compared with the two previous years, the results are :—

	Total	Passed	Failed
1904	247	169	78
1905	289	210	79
1906	309	224	85

Prizes and Honours Certificates were awarded to the following candidates :—

FINAL EXAMINATION.

Prizes and 1st Certificates of Merit.

Allen, Albert, Sheffield (December 1906).

Saunders, Albert Frederick, London (May 1906).

Prize and 2nd Certificate of Merit.

Wetherall, Robert Alexander, Stalybridge (December 1906).

2nd Certificate of Merit.

Wainhouse, Tom Wilkinson, Halifax (May 1906).

3rd Certificates of Merit.

McKenzie, William Metcalf, Sunderland (May 1906).

Townsend, Charles, Leeds (December 1906).

4th Certificates of Merit.

Crew, Frank Arthur, London (December 1906).

Dewhurst, William Edward, Manchester (May 1906).

5th Certificates of Merit.

Batliboi, Jamshed Rustamjee, London (December 1906).

Rattenbury, Frank Waller, London (May 1906).

6th Certificate of Merit.

Milne, James Leslie, Bootle (December 1906).

7th Certificate of Merit.

Gill, Arthur Frederick, London (December 1906).

8th Certificate of Merit.

Hales, Arthur Henry, London (December 1906).

INTERMEDIATE EXAMINATION.

Prizes and First Place Certificates.

King, Percy Gordon, Great Yarmouth (May 1906).

Tabbern, Ernest Cecil Hawksworth, Leicester (December 1906).

2nd Place Certificates.

Barrowcliff, Charles Percival, Stockton-on-Tees (December 1906).

Crosland, Arthur, Huddersfield (May 1906).

3rd Place Certificate.

Gaunt, Bernard Arthur, Leeds (December 1906).

The Council, on the advice of the examiners, have adjudged Mr. Albert Frederick Saunders, clerk to Messrs. Spicer & Pegler, London, to be the best candidate for the year in the Final Examination, and have awarded him the Society's Gold Medal.

The Council have also awarded Silver Medals to Mr. Albert Allen, clerk to Messrs. T. G. Shuttleworth & Sons, Sheffield, and Mr. Robert Alexander Wetherall, clerk to Mr. W. I. Mason, Borough Accountant, Stalybridge.

The Council, having considered the desirability of establishing an age limit in connection with the award of prizes and medals, decided that no candidate shall be eligible for a medal or prize in the Final Examination who is above the age of thirty years, and in the Intermediate Examination who is over the age of twenty-five years.

Thirty meetings of the Council and Committees were held during the year. Members of the Council and officers of the Society also took charge of the examinations in London, Manchester, Glasgow, and Dublin, held in the months of May and December. At the provincial centres assistance was rendered to the Council by other members of the Society.

The hearing of the action of the *Society of Accountants and Auditors v. Goodway and the London Association of Accountants, Lim.*, did not take place until January 28th, when the case came before Mr. Justice Warrington in the High Court of

Justice, Chancery Division. After a trial extending over four days, an injunction was granted perpetually restraining the defendant, Mr. George Albert Goodway, from using in connection with his business of accountant and debt collector, or either of such businesses, the title or designation "Incorporated Accountant," and from using in letters, accounts or notices, or any circulars, or other advertisements the designation of "Incorporated Accountant" or any designation only colourably differing therefrom in such a way as to represent or lead to the belief that the defendant is a member of the plaintiff Society.

The learned Judge also granted an injunction perpetually restraining the defendants, The London Association of Accountants, Lim., from holding out, or representing by advertisement, circulars, or otherwise, that its members are entitled to use the designation "Incorporated Accountant" or any designation only colourably differing therefrom in such a way as to represent or lead to the belief that its members are members of the Society of Accountants and Auditors.

Notice of an appeal was lodged by the defendants, but has since been withdrawn.

In response to an invitation received from the Council of the Institute of Chartered Accountants, the Council appointed the President, the Vice-President, the Chairman of the Parliamentary Committee, and the Secretary as representatives of the Society to discuss with representatives of the Institute proposals for a Registration Bill for England and Wales. The matter is still under consideration.

A Bill for the registration of accountants in Natal was rejected by the Legislative Assembly "in Committee on third reading" by a small majority. Steps have been taken for again bringing the matter forward. With the object of obtaining legislative recognition in Cape Colony, the Society of Accountants in Cape Colony has been formed, of the Committee of which four members, including the Chairman, are Incorporated Accountants.

The Chartered Societies Bill, referred to in the annual reports for 1904 and 1905, has been withdrawn. The Public Trustee Act, establishing the office of public trustee for the administration of estates, received the Royal Assent on the 21st December last. The Trust Accounts Audit Bill, prescribing for a system of compulsory audit of the Capital Accounts of trusts, was not proceeded with. The Government have introduced into the House of Lords the Companies Bill, founded upon the recommendations of the Departmental Committee, which was appointed by the Board of Trade in 1905, and which presented its report in June 1906. The Bill, which is being carefully watched by the Council, includes amongst its main provisions a requirement that every company shall annually forward to the Registrar "a statement of its "affairs . . . . in the form of a Balance Sheet, audited "by the company's auditors, and containing a summary "of its capital, its liabilities, and its assets, giving such "particulars as will disclose the nature of such liabilities "and assets, and how the values of the fixed assets have "been arrived at; but the Balance Sheet need not include "a statement of profit and loss." The suggestion submitted by the Council to the Board of Trade Committee that one at least of the auditors should be a qualified professional accountant has not, so far, been adopted.

The Board of Trade having appointed a Committee to inquire into and report upon the effect of the provisions of the laws at present in force in the United Kingdom in relation to bankruptcy, deeds of arrangement, and compositions by insolvent debtors with their creditors, and the prevention and punishment of frauds by debtors on their creditors, and the points and matters in which those laws and the procedure and administration under them require amendment, the Vice-President, Mr. Harry Lloyd Price, attended before the Committee and gave evidence on behalf of the Society.

The Autumnal Conference of Incorporated Accountants was held in London on October 4th, 5th, and 6th in celebration of the twenty-first anniversary of the foundation and incorporation of the Society. The business proceedings were conducted in the Cordwainers' Hall, kindly lent to the Society by the Worshipful Company of Cordwainers. A presidential address was delivered by Mr. W. G. Rayner on the position and progress of the accountancy profession during the past twenty-one years, and subsequently resolutions were moved by Mr. James Martin, Secretary of the Society, expressing the need of the regulation and control of public accountants by statute throughout the British Dominions, and by Mr. Charles H. Wilson, expressing regret that effect had not been given to the unanimous recommendations of the Joint Select Committee of both Houses of Parliament on Municipal Trading, as regards the appointment of professional auditors of Municipal Accounts.

On the resumption of the business of the conference Mr. Harry L. Price read a paper on "Bankruptcy Reform," which was followed by the discussion of a resolution moved by Mr. Arthur E. Green, expressing the desirability that in any amendment of the insolvency laws provision should be made by which under deeds of arrangement a small minority of creditors should be bound by the majority.

The members of the Society and their ladies were entertained at luncheon by the President, and on the invitation of the Lord Mayor, Sir Walter Vaughan Morgan, Bart., and the Lady Mayoress, a reception to meet the President, Council, and members of the Society was given at the Mansion House.

The banquet of the Society was held at the Whitehall Rooms of the Hotel Métropole, the President in the chair, who was supported by the Lord Mayor and Sheriffs of London, the Agents-General of the principal Colonies, several members of Parliament, the Presidents of the Law Society, the Institute of Chartered Accountants in England and Wales, the Society of Accountants in Edinburgh, and many other public men.

Visits were paid to the Houses of Parliament and Westminster Abbey, also to Kingston-on-Thames and Hampton Court, special arrangements being made in each case for the reception of the Society.

Votes of thanks have been accorded on behalf of the Society to the Lord Mayor and Lady Mayoress, the Worshipful Company of Cordwainers, the Lord Great Chamberlain, the Dean of Westminster, the Rev. Canon Duckworth, the Mayor of Kingston-on-Thames, and also to the President of the Society and Mrs. Rayner. These votes have been suitably engrossed and sealed with the Society's seal. The proceedings of the conference have been recorded in book form, and copies have been forwarded to the members.

By mutual agreement between the Council and the Secretary the existing arrangements for the accommodation of the Society's offices and library will be terminated at the close of 1908. The Council are giving careful consideration to the matter of the future housing of the Society in a manner worthy of its position, and the co-operation of the members will be asked for the attainment of an object which is in the interests of all Incorporated Accountants.

The Council of the Scottish Branch and the Committee in Ireland have afforded the Council every assistance in carrying on the Society's work.

The Committees in Australia, South Africa, and Canada have cordially co-operated with the Council in all matters affecting the welfare of professional accountants in the British Dominions.

Owing to the increasing importance of professional interests in South America, the Council have requested a small Committee, composed of Fellows of the Society resident in Buenos Aires, to watch the interests of Incorporated Accountants in the Argentine.

The District Societies of Incorporated Accountants in England and Wales have maintained their work in a state of efficiency. The Manchester and District Society of Incorporated Accountants has attained the twenty-first anniversary of its foundation. The occasion was celebrated by a banquet, attended by the Lord Mayor and many leading citizens of Manchester.

The Incorporated Accountants' Students' Society of London has continued its useful work, and volume 12 of its "Transactions" has been published, with the assistance of a grant from the Society. The Birmingham and Midland Students' Society has also carried on its usual course of lectures and classes.

The Society's Library is well maintained and utilised. "The Incorporated Accountants' Year Book" for 1906-7 has been widely circulated. *The Incorporated Accountants' Journal* maintains its position as the official organ of the Society and as a means of professional communication.

The Council have had to deplore the death of Mr. H. Turton Norton, the late senior partner in the firm of the solicitors to the Society. The Council, on behalf of the members, have expressed their sorrow at the loss of a wise counsellor and firm friend during a period of twenty-one years.

At a meeting of the Council held upon the conclusion of the twenty-first annual meeting of members, Mr. William George Rayner, of London, was unanimously re-elected to the office of President, and Mr. Harry Lloyd Price, of Manchester, to the office of Vice-President.

The following members of the Council retire under Article 49, and, being eligible, offer themselves for re-election:—

London.

Mr. Ernest William Ellis Blandford.
" George Stanhope Pitt.
" Walter James Smith.

Provinces.

Mr. John Eley Bryan, Nottingham.
" Gwilym Arnold Evans, Mountain Ash.
" John King, Wigan.
" Frederic Walmsley, Manchester.
" Edward Whittaker, Southampton.

The retiring Auditors are Mr. Jonathan Yates Mould, of London, and Mr. Edwin James Bullough, of Blackburn, who, being eligible, offer themselves for re-election in accordance with Article 85.

The accounts for 1906, duly audited, are annexed to this Report.

WM. GEO. RAYNER, *President.*
HARRY L. PRICE, *Vice-President.*
JAMES MARTIN, *Secretary.*

4 King Street, Cheapside,
London, E.C.
25th March 1907.

Dr. REVENUE ACCOUNT for the Year ended 31st December 1906. *Cr.*

Expenditure.	£ s d	£ s d
To Travelling Expenses of Members of the Council		389 7 5
" Salaries of Secretary, Assistant Secretary and Librarian	500 0 0	
" Salaries of Clerks and Clerical Assistance	400 0 0	
" Rent of Offices, Heating, Telephone, &c.	250 0 0	
		1,150 0 0
" Stationery and Printing, including List of Members		678 6 6
" Postages and Telegrams		207 11 11
" Miscellaneous Expenses		184 13 3
" Legal Expenses		20 14 1
" Advertisements		236 18 9
" Do. in Journal, and extra copies for distribution		157 10 0
" Expenses of Examinations		672 9 2
" Grants to District Societies of Incorporated Accountants		149 2 0
" Grants to Incorporated Accountants Students' Societies		36 15 0
" Reports of Meetings		23 16 10
" Prizes at Final and Intermediate Examinations		27 14 0
" Honorarium to Australian Agent		10 10 0
" Auditors' Fees and Expenses		26 19 0
" Subscriptions and Contributions to Chambers of Commerce in the United Kingdom		32 0 6
" Corporation Duty		9 19 2
" Depreciation of Furniture and Library		65 7 0
" Balance, being surplus of Income over Expenditure for the year		415 15 10
		£4,495 10 5

Income.	£ s d	£ s d
By Subscriptions—		
825 Fellows	1,482 1 6	
1,275 Associates	1,261 6 3	
70 Students	36 15 0	
	2,780 2 9	
" Arrears of Subscriptions	19 19 0	
	2,800 1 9	
Less Amount payable to Scottish Branch as per Articles	112 7 0	
		2,687 14 9
" Entrance Fees—		
38 Fellows	252 0 0	
124 Associates	613 4 0	
		865 4 0
" Examination Fees		662 0 6
" Dividends on Investments (*less* Tax)		193 14 4
" Sale of Publications, Advertisements, &c.		86 16 10
		£4,495 10 5

Dr. BALANCE SHEET, 31st December 1906. *Cr.*

	£ s d	£ s d
To Sundry Creditors		1,061 5 2
" Subscriptions for 1907 (paid in advance)		51 19 6
" Examination Fees (paid in advance)		85 1 0
" Revenue Account—		
Balance at 31st December 1905	6,494 16 10	
Add Surplus for 1906	415 15 10	
	6,910 12 8	
Less Amount paid on account of Costs of Action for protection of Designation "Incorporated Accountant"	400 0 0	
		6,510 12 8
		£7,708 18 4

	£ s d	£ s d
By Cash at Bank of England	276 16 10	
Less Petty Cash due to Secretary	10 5 6	
		266 11 4
" Investments at Cost—		
£1,000 os. od. 2½% Consols	916 1 9	
£1,129 7s. 2d. India 3½% Stock	1,272 4 3	
£250 os. od. Local Loans 3% Stock	248 16 0	
£800 os. od. Warrington Corporation 3½% Bonds	800 0 0	
£500 os. od. Blackburn Corporation 3½% Bonds	500 0 0	
£200 os. od. Nottingham Corporation 3% Stock	192 0 0	
£500 os. od. Leeds Corporation 3% Stock	463 7 0	
£200 os. od. Met. Ry. 3½% Deb. Stock	270 18 6	
£200 os. od. G. E. Ry. 4% Deb. Stock	291 2 6	
£161 os. od. G. E. Ry. 4% Pref. Stock	200 0 0	
£200 os. od. G. N. Ry. 4% Pref. Stock	252 0 0	
£400 os. od. G. C. Ry, 5% 1881, Pref. Stock	637 2 0	
£150 os. od. G. W. Ry. 5% Guar. Stock	248 19 0	
£240 os. od. Madras Ry. 5% Guar. Stock	357 8 6	
		6,649 19 6
" Furniture		339 1 3
" Library		241 5 1
" Sundry Debtors		212 1 2
		£7,708 18 4

We certify that all our requirements as Auditors have been complied with. We have examined the foregoing Accounts for the year ended December 31st 1906, together with the books and vouchers of the Society, and we find same to be properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs. We have also verified the Investments as set out.

LONDON, *17th April* 1907.

J. YATES MOULD, E. J. BULLOUGH, } *Incorporated Accountants, Auditors.*

The PRESIDENT, who was very enthusiastically received, then addressed the meeting as follows: Gentlemen, In presiding over your annual meeting for the third and last time, it is a matter of great satisfaction to me that I can adopt a more optimistic tone with regard to the professional position than on the two previous occasions. I inted out in my address last October, delivered at our twenty-first anniversary celebration, that, although the progress of our Society was in every way satisfactory, the position of the profession as a whole in the United Kingdom could hardly be considered in the same light, but in the few short months which have elapsed since November last matters have progressed with greater rapidity than appeared to us possible twelve months ago. In the course

of my observations on the year's work I will endeavour to point out to you the events which have led up to the favourable change in the situation. Dealing first of all with the report of the Council, the total number of members on the roll on December 31st last was 2,111, and consisted of 828 Fellows, 1,282 Associates, and one honorary member not otherwise included. You will observe that the Council has now ceased to include the student members as a part of the Society's roll. Some seventy of these gentlemen who passed the Intermediate Examination previous to 1902 still kept their names on the Society's books at the close of the year, and the Council have called upon them either to pass the Final Examination during 1907 or in default to send in their resignations. Although the Council are most anxious not to act harshly in any individual cases, it has been found absolutely necessary to deal with the matter on the lines indicated, in the interests of the Society. The Council only granted throughout the year ten direct elections to Fellowship—namely, six in England, two in Scotland, and two in South Africa. The number of Associates who applied for and obtained election as Fellows was 28, as against 29 in 1905 and 15 in 1904. This number is hardly satisfactory, as I think it should be the ambition of every practising member of not less than three years' standing to have his name included amongst those of the senior members of the Society. You will notice the large increase in the number of new Associates who came to us through the examination room. Dealing more particularly with the examinations, the number of candidates shows a steady and satisfactory increase, as you will see by the comparative figures of three years given in the report. This increase is more marked if I go back to 1900, when the number of candidates sitting was 158; in 1901 it was 232; 1902, 204; 1903, 225; 1904, 247; 1905, 289; and 1906, 309. (Applause.) While the Council is anxious not to exclude from the membership of the Society any really qualified person—and our articles are, I think, wisely framed so as to leave it within the power of the Council specially to deal with such—yet I feel sure the Council and the members are all agreed that entrance to the Society must be by proper and efficient examination tests. (Hear, hear.) The honours list is again a satisfactory one in the Final Examination. Before this meeting concludes I shall have the pleasure on your behalf of handing the Society's gold medal to Mr. Albert Frederick Saunders, who has been adjudged to be the best candidate for the year in the Final Examination. (Applause.) The Council have also awarded silver medals to Mr. Albert Allen and Mr. Robert Alexander Wetherall, both of whom presented excellent papers in their Final Examination. Since the report was signed the Council have resolved to bracket a Victorian candidate with the fourth candidate in the Final Examination, which position, of course, carries with it the corresponding certificate of merit. This is, I believe, the first honours certificate awarded outside the United Kingdom to a candidate. The Council, as you will note, have established an age limit in connection with the award of prizes and certificates, the effect of which will be to prevent any candidate who is above the age of thirty years receiving a medal or prize in the Final Examination, and will also render ineligible for a prize in the Intermediate examination any candidate of more than twenty-five years of age. These restrictions have become necessary having regard to the fact that candidates of long service in the offices of professional accountants are admitted to the examinations without undergoing articles. The number of meetings of the Council and Committees appears to be three short of those held in 1905, but if this is the actual record from the Attendance Book all I can say is that it has little relation to the amount of work we have had to perform. I think the Vice-President and the Chairmen of our respective Committees will bear me out when I say that the Society has been ever with us from the beginning to the end of the year, and it has been a hard job to escape from the exacting duties which membership of this Council involves. I am pleased to say that the Disciplinary Committee has not had occasion to make a report to the Council for the exclusion of any member of the Society. (Applause.) It must, however, be borne in mind that the work of the Committee is lightened by the fact that under the Society's articles any member who becomes bankrupt, or makes or agrees to make any assignment for the benefit of his creditors, or pays or proposes to pay any composition to his creditors, or enters into any assignment by way of trust for his creditors, or executes any similar deed or agreement, or takes or attempts to take the benefit of any statutory provision for arrangement with his creditors, at once ceases to be a member of the Society. It cannot be too widely known that as a Society we do not permit any person to remain on our roll who pays less than 20s. in the £ in satisfaction of his liabilities. (Applause.) Twelve months ago I informed you that an action by the Society against a Mr. Goodway and the London Association of Accountants, Lim., was then before the Courts. This action did not come on for trial until the close of January last, when, after a hearing extending over four days, the learned Judge granted an injunction restraining the defendant, Mr. George Albert Goodway, from using in connection with his business of accountant and debt collector, or either of such businesess, the title or designation "Incorporated Accountant"—(applause)—and from using in letters, accounts, or notices, or any circulars, or other advertisements the designation of "Incorporated

Accountant," or any designation only colourably differing therefrom, in such a way as to represent or lead to the belief that the defendant is a member of the plaintiff Society. The learned Judge also granted an injunction restraining the defendants, the London Association of Accountants, Lim., from holding out, or representing by advertisement, circular or otherwise, that its members are entitled to use the designation "Incorporated Accountant," or any designation only colourably differing therefrom, in such a way as to represent or lead to the belief that its members are members of the Society of Accountants and Auditors. This judgment has given the greatest satisfaction not only to the members of the Society, but throughout the profession. (Hear, hear.) Until Mr. Justice Warrington's decision no protection had hitherto been granted in England to a professional designation of this character, and counsel, in arguing the case for the Society, had to fall back exclusively on the Scottish case of the *Society of Accountants in Edinburgh and others v. The Corporation of Accountants, Lim., and others.* On the facts of the case, which were proved by a large number of witnesses called on the Society's behalf, it was established that the use of the term "Incorporated Accountant" by the members of the Society, and the absence of the use of that designation by other persons, had enabled it to acquire an established reputation with the public. It is now clearly laid down that the Courts in this country will not permit the unauthorised appropriation of an existing professional title or designation which is commonly used and generally accepted by the public as having a distinct and definite meaning. It is satisfactory to note that Mr. Justice Warrington, in delivering his judgment, explained what he considered as the value of the designation "Incorporated Accountant" which term, he said, conferred upon its members the privilege—which he regarded as a valuable privilege—of being looked upon by persons who have to deal with accountants as holding a certain definite status indicating reliability and integrity. This expression of judicial opinion is all the more valuable when it is considered that the defendant's case was persistently fought by counsel with great skill and ability, and that our Secretary was examined and cross-examined for nearly a whole day as to the policy and procedure of the Society since its foundation. It was the opinion of the Society's witnesses in Court, from all parts of the country, who heard the evidence that, even apart from the judgment, the Society had increased its credit and reputation by freely submitting its whole history to judicial investigation. (Hear, hear.) Notice of appeal was given by the defendants, but that notice has since been withdrawn. The costs of the litigation, as you may imagine, have been heavy, but I do not think the Council could have drawn on the accumulated surplus on Revenue Account for a better purpose and one more in the interests of the members. (Hear, hear.) Last year I had to report to you that correspondence had passed between your Council and the Council of the Institute of Chartered Accountants, in which a suggestion on the part of the Society to confer with the Institute on the subject of legislation in the interests of the profession had led to no result. I am now glad to state that for some few months past, on the invitation of the Institute, your President, Vice-President, the Chairman of your Parliamentary Committee, and the Secretary have been discussing with representatives of the Institute proposals for a Registration Bill for England and Wales. (Applause.) As the report states, the matter is still under consideration, and I am therefore not in a position to-day to make any statement with regard to the negotiations, which are regarded as private and confidential on both sides. It is, however, hardly necessary for me to state what the views of the Council are on this matter; in fact, their views and the views of the members are in perfect accord, as is shown by the resolution which was passed at our twenty-first anniversary meeting in October last, when the conference expressed its support of the Council and the Society's Colonial Committees in their efforts to promote legislation throughout the British Dominions. How necessary it is for definite action to be taken on this matter is shown by the fact that hardly a month passes without the registration at Somerset House of some Association—generally with a flowery title—alleging for its object the promotion of the interests of accountants, and subsequently by circular notifying all and sundry that they can become members on payment of a subscription. The real reason for these associations coming into existence is not hard to divine, but so long as they keep afloat under their own colours, and do not attempt to obtain prestige from the labours of others, we do not propose concerning ourselves with regard to them, as each one will have to work out its own destiny, whatever it may be. I should like to take the opportunity of cordially acknowledging the zeal and singleness of purpose with which the President of the Institute of Chartered Accountants—Mr. Peat—has kept this subject of registration for the profession not only before the members of the Institute, but before the public. (Applause.) I think the policy of registration has been advocated by the Council of this Society for the last twenty years, yet we have expressed our willingness that if the Institute of Chartered Accountants will lead the way in this matter we are prepared to give them our whole-hearted co-operation—(hear, hear)—and we hope that the *entente* which has been established between us will ultimately lead not only to a Registration Bill for England and Wales, but also for the inclusion of Scotland and Ireland.

We do not forget, in discussing this matter in London, that the oldest body of accountants in the British Empire has its headquarters at Edinburgh, and we are certain that our Scottish branch is at one with us in acknowledging the position of the Scottish Chartered Accountants. Also in Ireland we have the Institute of Chartered Accountants, which was established after the incorporation of our own Society, but with which we have always been anxious to maintain friendly relations. Looking to the continued growth of British trade, and the desire of all parts of the British Dominions to become more intimately associated together, we also have to take into consideration our brethren beyond the seas, and in this connection it must not be forgotten that this Society's branch in the Transvaal was the promoter of the Transvaal Accountants' Ordinance, which at the present moment is the only statute in force which creates a Register of Accountants. There have, as you know, been some heartburnings with regard to a section of this statute, which requires actual residence in the Transvaal as one of the qualifications for registration, but we are sure that as time goes on our Transvaal brethren will see their way to effect such arrangements as will remove any legitimate grievance which our friends of the Institute of Chartered Accountants may feel on this matter. Since the date of the report of the Council the Companies Bill has passed through Committee of the House of Lords, and has been read a third time. It seems, therefore, that if public business will permit it is the intention of the Government to get it through the Commons during the current session. Mainly at the instance of Lord Avebury the Bill has been amended for the better. This, I venture to say, is one of the results of co-operation between the Chambers of Commerce, the Institute of Chartered Accountants, and our own Society, as we have all been able to pull one way instead of in different directions. (Applause.) Clause 21 (1) now reads as follows:—

> "Every auditor of the company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanation as may be necessary for the performance of the duties of the auditors, one at least of whom, in the case of every company whose authorised capital amounts to fifty thousand pounds, shall be a person who publicly carries on the business of an accountant."

You will see, therefore, that the Lords have gone a considerable way towards meeting the suggestion which was submitted to them by the recognised bodies of accountants and Chambers of Commerce. The auditors' duties have, I think, been more clearly defined; and a provision has been inserted which will prevent the retiring auditor from being ousted from his appointment without notice. The Lords have insisted on the retention of Clause 23, which now reads as follows:—

> "Every company required to forward to the Registrar a summary under Section 26 of the Companies Act, 1862, shall include in that summary a statement, made up to such date as may be specified in the statement, in the form of a Balance Sheet, audited by the company's auditors, and containing a summary of its capital, its liabilities, and its assets, giving such particulars as will disclose the nature of such liabilities and assets, and how the values of the fixed assets have been arrived at, but the Balance Sheet need not include a statement of profit and loss."

Probably this provision will bring more business to professional accountants, yet at the same time I cannot help regarding its usefulness to the commercial community with a certain amount of doubt, as every private company formed for family or other purposes will in future have to disclose its position to the world, and these disclosures are not always made use of for proper and legitimate purposes. However, on this point I believe the opinion of the Chamber of Commerce is with the Government; therefore if the clause becomes part of the Act our duty will be to co-operate with our clients for the purpose of rendering it as satisfactory as possible. You are aware that our Vice-President, Mr. Harry L. Price, attended before the Bankruptcy Law Amendment Committee and gave evidence on behalf of the Society. As the subject was so fully discussed at our Autumnal Conference, there is no need for me to go over the ground again. With regard to the Autumnal Conference of Incorporated Accountants held in this city on October 4th, 5th, and 6th last to celebrate the twenty-first anniversary of the foundation and incorporation of the Society, the whole of the proceedings have been published in book form, and therefore those who were unfortunately prevented from attending are familiar with everything that took place. You will, I believe, agree with me that the celebration was a success from beginning to end—(hear, hear)—and we are much indebted to the then Lord Mayor (Sir Walter Vaughan Morgan) for his official support and to the other noblemen and gentlemen whose names are contained in the report. I think that the members at large ought to know that no part of the expense of entertaining the Society's guests on that occasion has fallen upon the funds of the Society. The question of the audit of the accounts of local authorities is like the poor, ever with us. The Government—and when I refer to the Government it does not matter which party is in power—will not take steps to act upon the unanimous recommendations of the Committee of both Houses of Parliament to appoint professional auditors to audit these accounts. The matter

again came very much to the fore in the recent London County Council elections, and although your Council were careful not to take any official part in the contest, yet I can hardly disguise from you my hope that the London County Council will report in favour of the audit of its trading undertakings by professional accountants on commercial lines. I know there is a difference of opinion in our Society on this matter, but every one who has read the evidence tendered before the Joint Select Committee cannot help coming to the conclusion that a drastic reform is needed in the audit of the trading accounts of local authorities—(hear, hear)—except perhaps in the cases of those who have already obtained special Acts of Parliament providing for a professional audit. You will see that a mutual agreement has been come to between the Council and the Secretary for terminating the existing arrangements for the accommodation of the Society's offices at the close of 1908. I am not going to anticipate anything that will be said at the extraordinary general meeting which will follow these proceedings, but I am desired by the Secretary to state that both he and his partners are in entire harmony with the Council on this matter. (Hear, hear.) The Council record, as usual, that they have received every assistance and support from their branches in Scotland and Ireland, and from the Committees in Australia, South Africa, and Canada on all matters affecting the welfare of professional accountants. You will notice that, owing to the increasing importance of professional interests in South America, the Council have requested a small Committee composed of Fellows of the Society in Buenos Aires to watch the interests of Incorporated Accountants in that part of the world. It is very necessary that wherever this Society has interests with a number of members to look after there should be some one on the spot who can freely correspond with the head office. The District Societies of Incorporated Accountants in England and Wales have been of the greatest assistance to the Council in carrying on the work of the Society. I should like to take this opportunity of expressing the pleasure I experienced in being present at the twenty-first anniversary banquet of the Manchester and District Society of Incorporated Accountants. The Lord Mayor and many leading citizens of Manchester were present, and were witnesses of the esteem and regard felt for the Honorary Secretary of the District Society, Mr. Arthur E. Piggott—(applause)—who has carried on his duties to the great advantage of the members during the whole period of the District Society's existence. The Incorporated Accountants Students' Society has continued its work of usefulness, and the "Transactions" have now reached Volume 12. I should like to see a larger interest taken by the members in the publication of these "Transactions," copies of which may be had at a small price from the Secretary at 4 King Street. The Society's library, as you notice, has been well maintained and utilised, but we have almost got to the end of our accommodation, which is another of the reasons for holding an extraordinary meeting to-day. Before closing my remarks I would like to take this opportunity of saying how deeply we deplore the loss the Society has sustained by the death of Mr. Turton Norton—(hear, hear)—the late senior partner in the firm of our solicitors. Mr. Norton was a familiar figure to you all, but only those who were closely associated with him are aware of the deep interest he took in the Society's welfare and how much he contributed by his wise advice an counsel to the successful working out of its policy. We welcome Mr. Barrington, of the same firm, as our legal adviser, and we hope he will be with us for many years. I have only one observation to make on the Accounts. The surplus of income over expenditure for the year was £415 15s. 10d., which brought up the accrued balance on Revenue Account to £6,910 12s. 8d. Against this we have charged £400 on account of the costs of the action for the protection of the designation "Incorporated Accountant," which was the ascertained and paid amount of costs at the close of last year, thus leaving a net surplus of £6,510 12s. 8d. I now formally move "That the Report of the Council and the Accounts for the year 1906 be adopted," and I call upon the Vice-President, Mr. Harry L. Price, of Manchester, to second the motion. (Applause.)

The Vice-President: Gentlemen, the President has digested for you so clearly and so tersely the history of the Council's work during the past year that I think you will agree with me that nothing in the nature of a speech is called for from me before submitting for your consideration and discussion the report and accounts which the President has presented. You will have gathered from what he had to say that the Council have set themselves—and we hope that in your decision you will say they have succeeded—firmly and unmistakably to maintain intact the ideals and aims which the Society have set before them for many years past. (Applause.) In one respect I think we cannot too strongly emphasise what the President had to say, and that was in relation to the result of the action against the London Association of Accountants and Goodway. In fighting that action we were not fighting for ourselves alone; we were fighting the battle of all the profession. We felt that it was an intolerable thing that a brazen piracy of this Society's, or any other Society's, title should go unpunished, and we hope that in what you may have to say, or in what you may think, you will at least commend the Council heartily for the action that they took in that regard.

Mr. H. R. Sibson (London) said that in supporting the adoption of the report he wished to express once more a high appreciation of the efforts of the Council as indi-

cated in that report, and in the excellent and lucid speech from the chair. The President had said that so far as the Council were concerned the Society was ever with them. He could quite realise that that had been the case during the past year. There had always been something of interest for the Council to present to the members in the report, but this year that document covered a peculiarly large amount of ground. The Council had evidently had to work extremely hard, and they deserved exceptional thanks on the part of the members. (Applause.) One point had always struck him in connection with this Society during the twenty years he had been connected with it, and that was the loyalty of all those who had been associated with it. He saw the same faces year after year, and the same interest taken in the Society; the same singleness of aim in furthering its welfare; and he thought they might now say that they were approaching something like success as a result of those efforts. To-day they would be omitting something if they did not express as a Society their appreciation of the kindly and cordial feeling that was evidently now existent between the Institute of Chartered Accountants and themselves. (Applause.) There had been times when the sentiment between the two Institutions had not been of so friendly a description, but he thought it might be said that the atmosphere at the present time was one of extreme kindliness and a fraternal desire to further the interests of the profession, with, he believed, probable results to the profession that would be extremely beneficial. They welcomed very much indeed this *rapprochement* between the Institute of Chartered Accountants and themselves. Really in every respect the record that the Council had placed before the members was one which he thought he might almost call unique. They had increased their membership; they had won a fight in an action which might have resulted badly, but which had resulted splendidly for the Society. He ventured to say that the status of Incorporated Accountants was never so high as it stood to-day—(applause)—and he said that not from observation alone of the expressions of Incorporated Accountants, who naturally would be inclined to express themselves in that direction, but from the expressions of men connected with other professions in the country, and with commercial interests in the United Kingdom generally. The men one met all expressed the same opinion—that the status of Incorporated Accountants was never so high as at the present time. That was a most valuable thing for them to feel, and they were very greatly indebted to their Council, and to their Secretary and his staff, who had worked so very hard to bring about this admirable result. He was very glad, and was sure many other members were, to see there was an intention to give them better accommodation. It was a matter for gratification that a move was being made to give the members something in the nature of accommodation that was suitable for a Society so important as theirs had become. (Applause.)

The PRESIDENT invited Mr. Fowler, from Buenos Aires, the last-formed Committee of the Society, to address the meeting.

Mr. T. B. D. FOWLER (Buenos Aires) said he was totally unprepared to say anything that afternoon, but would endeavour to tell the meeting as much as he could about the profession in Buenos Aires. He had only recently received an invitation to attend this meeting, and felt extremely gratified at having this, his first, opportunity of coming among the members of the Society. The Argentine Republic, as doubtless many in that room knew, was a country where Spanish was the official language. The work of English auditors and accountants out there was largely restricted to the audit of accounts of public companies whose legal domicile was in England and other parts of Europe. There were very few English accountants there. There were his own firm, and three or four others established on similar lines. The merchants hitherto had not adopted auditing as a rule, because they thought it was useless. (Laughter.) But he was quite sure that the day was coming—and a start had already been made with one or two—when they would all feel that, although auditors did not make money for them, they could save money for them—(hear, hear)—and he was proud to think he belonged to a Society that had attained the status that the Society of Accountants and Auditors had. He himself, as a member of the Council in Buenos Aires, followed the movements of the Society—the minutes of the meetings here—and he found that all his colleagues in Buenos Aires who had been honoured with admission to the Society—and they felt it a very great honour and privilege—were working hard to assist the Council in London; and although the Committee out there was very small, they had the interests of the whole of the members at heart. They would do all they could to prosper the interests of the Society of Accountants and Auditors not only in Buenos Aires, but also in other parts of South America with which they were connected. His firm was connected with a very great many English companies, and not only with Incorporated Accountants, but also in a very large measure with Chartered Accountants, from whom they had always received the greatest courtesy; and he was proud and pleased to see and hear that there was a very much better feeling between the sister organisations than had existed for many years past. He trusted the object they had in view would be brought about ere long—namely, some sort of amalgamation or understanding between the Institute of Accountants and this Society

Before sitting down he wished to say that if at any time any members in that room should visit Buenos Aires he would be only too happy, so far as he could, to make their sojourn there agreeable. (Applause.) He would suggest that someone should go out on behalf of the Society. He did not know any more energetic and able man than their Secretary, and he was sure it would greatly help the interests of the Society if that gentleman could manage to go out, if only for a fortnight. (Applause.) He trusted they would see Mr. Martin there at a later date, or someone representing the interests of the Society. He was proud to have been admitted a member of the Society, and would continue to do his best for it. (Applause.)

Mr. F. WOOLLEY (Southampton) remarked that he would be very sorry indeed for this annual general meeting to pass without there being an adequate expression on the part of the members generally of their feeling in regard to the work of the Council during the past year. The report contained one or two matters which were of very deep importance to every member of the Society. The question of the preservation and protection of the designation of "Incorporated Accountants" was a matter of vital importance to the members, and he was sure he was voicing the feelings of every member present when he said that they were deeply grateful to the Council for having tackled this matter in so vigorous and whole-hearted a fashion, and wished to extend to them their hearty congratulations upon the successful issue which ensued. The question of registration, as put forward in the remarks made by the President, must give new hope and raise high expectations in the minds of the members of the Society. They were extremely glad to hear him speak so hopefully of the negotiations which had again been set on foot between the Institute of Chartered Accountants and this Society, and could only say that they sincerely trusted that these negotiations would terminate in a satisfactory Bill being put upon the Statute Book providing for the registration of professional accountants. The Council, he believed, had the whole-hearted support of the members behind it, and their full confidence, and the report showed that its labours during the past year had been of an exceptionally heavy and tedious character, and the anxiety in connection particularly with the action in reference to the designation of "Incorporated Accountants" must have been very great on the part of the officers and members of the Council. He felt sincerely grateful personally, and was confident he was expressing the feelings of many of the members present in the few remarks he had made. (Hear, hear.)

The PRESIDENT said that before he put the resolution he would ask the Hon Mr. Barrington to say a few words. (Applause.)

The Hon. Mr. BARRINGTON said that when he came there that afternoon he was in the same position as Mr. Fowler, of the firm of Fowler, Scroggie & Co., of Buenos Aires: he did not know he was likely to be called upon to address the meeting. He wished, however, on behalf of his firm, to express very great appreciation of the kind remarks which the President had made. They greatly appreciated the honour which had been conferred upon them for many years past in acting as the Society's legal advisers. He could assure the meeting, from his own personal experience, that his late senior partner, Mr. Norton, was indeed very deeply interested in everything to do with the Society. He was, if a simile might be permitted, present at the Society's birth and took a very active part in it; he also prescribed for its infantile diseases, though it was always a very vigorous baby; he had also followed the Society through its growth, and he (the speaker) very much regretted that just before its coming of age Mr. Norton was called away. (Hear, hear.) If personal interest in the welfare of the Society had anything to do with its success, he could assure the members that his firm and himself would always continue to take the very greatest interest in its welfare. He desired to take this opportunity of congratulating the members upon the successful issue of the action which had been lately carried through. Credit must be given, however, to whom credit was due, and he was bound to say that in a matter of that sort such an action could never have been successfully carried through but for the extraordinary ability and untiring energy and perseverance of their Secretary—(applause)—and the gentlemen who assisted him in the matter. (Applause.)

The motion was carried unanimously.

Mr. CHARLES H. WILSON, J.P. (Leeds), then proposed: "That the following retiring members of the Council be "re-elected: London—Mr. Ernest William Ellis Blandford, "Mr. George Stanhope Pitt, Mr. Walter James Smith. "Provinces—Mr. John Eley Bryan (Nottingham), Mr. "Gwilym Arnold Evans (Mountain Ash), Mr. John King "(Wigan), Mr. Frederic Walmesley (Manchester), Mr. "Edward Whittaker (Southampton)." He remarked that he did not desire any better colleagues and did not think the members could have any better representatives. They had accomplished a great deal after years of struggle, but there was still something to be done.

Mr. ARTHUR E. GREEN (London) seconded the motion, and it was carried unanimously.

Mr. G. PALMER (London) moved: "That Mr. Jonathan "Yates Mould, Incorporated Accountant, London, and "Mr. Edwin James Bullough, Incorporated Accountant, "Blackburn, be re-elected Auditors of the Society at a "remuneration of £10 10s. each, Mr. Bullough's travelling "expenses to be paid in addition." He thought it was a good thing that they adopted the principle of paying a small remuneration—it certainly was small—to their auditors,

because he did not think that in the case of a Society of this size and importance they should expect the auditors' work to be entirely honorary. (Hear, hear.)

Mr. H. J. BURGESS (London) seconded the motion, which was adopted.

The PRESIDENT then presented the Society's Gold Medal for the year 1906 to Mr. Albert Frederick Saunders, of London, and Silver Medals to Mr. Albert Allen, of Sheffield, and Mr. Robert Alexander Wetherall, of Stalybridge.

Mr. R. E. EMSON (London) said the next item on the agenda was a vote of thanks to their President, in these terms "That the members of the Society, in general meeting "assembled, desire to tender to Mr. William George Rayner "their sincere and hearty thanks for the able and valuable "services rendered by him as President for a period of three "years; that the foregoing resolution be presented to "Mr. Rayner in a suitable manner on behalf of the whole of "the members of this Society." Mr. Rayner had served in the office of President during this term of years with distinction, and took with him, in giving up his office, the best wishes of all the members. (Applause.)

Mr. F. WALMSLEY, J.P. (Manchester), had the greatest possible pleasure in seconding the resolution. The period of office of their present President had been one in which perhaps more history had been recorded in this Society than in any previous period—(hear, hear)—and perhaps the last year of his office would stand out in the boldest relief and would continue to be held in their hearts with grateful recollection of the heroic services rendered by him on behalf of the Society to the profession generally. Of course, such a short time had elapsed since the coming of age of the Society that it was quite unnecessary to refer to the magnificent services that were rendered by the President and his good lady who graced them on that occasion. He was sure, however, that not only they but also the profession generally would long recollect the great work he had done, and that the members present would all have the greatest possible happiness and show their enthusiasm in supporting this resolution most cordially. (Applause.)

The VICE-PRESIDENT put the resolution to the vote, and it was carried amid applause.

The PRESIDENT, who was very warmly received, said: Mr. Emson, Mr. Walmsley, and gentlemen, I have received so much consideration and appreciation at your hands since I have held the office of President that I almost feel I am not entitled to anything else. However, I thank you very heartily for the resolution which you have passed to-day. It will be a very great pleasure indeed for me to take that resolution away with me, and to be able to look upon it in coming years and think that the little service I was able to perform in the interests of the Society has been appreciated by you. (Applause.)

Extraordinary General Meeting.

An extraordinary general meeting of the Society was subsequently held, for the purpose of considering the following resolution:—

That the articles of association be varied as follows—

(1) By deleting Article 22, and by substituting therefor the following article:

"Article 22. As from the 1st January 1908 the following annual subscriptions shall be paid.

Members in Practice.

(*a*) London members in practice, being Fellows, shall pay a yearly subscription of £4 4s. od.; and being Associates shall pay a yearly subscription of £2 2s. od.

(*b*) Provincial members in practice who are resident in or practise in England and Wales, being Fellows, shall pay a yearly subscription of £3 3s. od., and being Associates shall pay a yearly subscription of £1 11s. 6d.

(*c*) Provincial members in practice who are neither resident nor in practice in England and Wales, being Fellows, shall pay a yearly subscription of £2 2s. od., and being Associates shall pay a yearly subscription of £1 1s. od.

(*d*) Members in practice who do not reside or practise in any part of the United Kingdom, being Fellows, shall pay a yearly subscription of £1 1s., and being Associates shall pay a yearly subscription of 10s. 6d.

Members not Practising.

(*e*) Members resident in any part of the United Kingdom who are not in practice, being Fellows, shall pay a yearly subscription of £2 2s. od., and being Associates shall pay a yearly subscription of £1 1s. od.

(*f*) Members resident out of the United Kingdom who are not in practice, being Fellows, shall pay a yearly subscription of £1 1s. od., and being Associates shall pay a yearly subscription of 10s. 6d.

Every Fellow of the Society shall be deemed to be in practice unless and until he shall give notice in writing to the Council of the Society that he has ceased to be in practice.

Every existing Associate of the Society shall forthwith, and every new Associate of the Society shall, immediately upon election, give notice in writing to the Council as to whether he is a practising or non-practising member, and shall be entered in the register accordingly, and such notification shall be treated as binding until revoked by a subsequent notice in writing lodged with the Society.

Every Associate shall annually make a return to the Society, indicating whether he is a practising or non-

practising member. The return shall be in such form as the Council may from time to time prescribe.

A member shall be deemed to be in practice in any particular area if he shall practise the profession of a public accountant in such area or be pecuniarily interested in any such business carried on by others in such area.

A member shall be deemed to be resident in a particular area in any year if at any time during such year he shall dwell in such area otherwise than as a temporary visitor or shall have offices in such area.

(2) By deleting Article 24 and by substituting therefor the following article:

Article 24. Each Associate on being admitted as a Fellow shall forthwith pay as the additional subscription due from him as a Fellow for the current year a further sum equal to his yearly subscription as an Associate for that year."

The PRESIDENT: I would just like to say a few words in reference to the necessity for increasing the subscriptions. In the first place, for my own part I think they have been much too small for many years. I know that other Societies not doing half, or even a quarter, of the work that this Society has done for its members, have had subscriptions of double or treble the amount, and therefore I think the time has arrived when, if we cannot make up for the past, we should be able, at any rate, to have the means of carrying out what has been the dear wish of many of our members for a very long time—that is, to have ourselves properly housed, and to have what I may call our separate establishments. We have leaned for many years upon our Secretary. He has supplied us with the clerical labour necessary, and we have always been able to get at him for the purposes of the Society at any time. I mean that there is never a period in our history when Mr. Martin has not been accessible to members. He has not busied himself in the way that he might have done with his own professional business. You will notice what our proposals are. It is hardly necessary for me to go through them again because you had the letter which was signed by Mr. Price and myself, and no doubt you have read it; but I must just refer to the increase. The effect of the resolution will be as follows: To increase the annual subscription of Fellows in practice in London by the sum of £2 2s., making it £4 4s.; to increase the annual subscription of Associates in practice in London by £1 1s., making their subscription £2 2s.; to increase the annual subscription of Fellows in practice in the provinces of England and Wales by £1 1s., which will make their subscription £3 3s.; and to increase the annual subscription of Associates in practice in the provinces by 10s. 6d., making their subscription £1 11s. 6d. The subscriptions of non-practising members, and of members who do not reside or practise in any part of the United Kingdom, will remain as at present. The reason for that is obvious, namely, because they have to subscribe to their local societies. It is estimated that by this means an addition will be obtained to the Society's income of about £900. You will naturally ask how we are going to spend this £900. I think if gentlemen who are resident, at any rate in the City of London, will only look round and see the enormous increase in rents in the last few years in the City they will find that we can very easily do with that, and that, even with this £900 per year, the income will have to be very carefully spent in order to enable both ends to be met if we have a suitable place. We shall, of course, have to cut our coat according to our cloth; but I hope that with this increase in our subscriptions we shall be able to get a place which, though perhaps not as worthy as one could wish, may still be a place worthy of the Society. You will see in our letter a reference to the surplus of income over expenditure of £400 per annum. Well, if we were to spend the whole of that and add the £900 to it we should only have £1,200 or £1,300; but we must have a war chest, and we have found the benefit of a war chest during the past few months. If we had not had the funds we should not have been able to fight the action to which reference has been made, and to support our title, so that the necessity of not spending the whole of our income must be apparent to everybody. (Hear, hear.) With regard to expense, we have not yet gone into the question of cost. But that will be considered very carefully before the notice is up at No. 4, King Street, which is the end of 1908, so that we shall have some of our first year's increase in hand, which we can spend in any further decorations and furnishing. I will now propose the resolution as printed.

The VICE-PRESIDENT: I am vain enough to think that this resolution scarcely requires anything from me to commend it to your acceptance. It is the experience of all expanding communities—and our municipal friends will bear me out—that new wants are constantly arising, and if those new wants are to be supplied they require fresh revenue, and that is our case. The Council, with its finger upon the pulse of the members, found out some time ago that there was a desire on their part that the Society should be separately housed from the Secretary, and when that was followed by the Secretary's statement that it would more suit his convenience than otherwise that that should be done, we felt the time had come when we must act. We could only act by taxing you further, and we now ask you to approve it. (Applause.)

Mr. S. BANNING (London): The President had not stated whether this recommendation was put forward by the Council unanimously; but, having had the interests of the Society very much at heart during its career, and having followed its history in the yearly reports, there were a few reasons which occurred to him, and which he

thought he might bring forward for the consideration of his fellow members, against this proposal. In the first place, he did not think they could consider that the increase in numbers was anything like what it ought to have been. The Society had been growing in a very satisfactory manner, but still it was only growing, and they must remember that the building operation was only in course of process. Therefore, anything that would prevent an accession of numbers was a matter that ought to require the gravest consideration; and having regard to the fact that the calls on men of business in the way of income-tax, rates, and so on, were heavy, and also having regard to the depression that existed in many branches of trade, he thought they ought to have heard from the Council something as to whether they had considered these points very carefully before bringing a drastic measure of this kind before the members, because the main point to consider was the accession of numbers and the increase of the Society. He was not aware that they had suffered in any way by the manner in which the affairs of the Company had hitherto been conducted, and would say that there was no member of this Society who had a higher opinion of its worthy Secretary than he had. Mr. Martin had been most careful of the interests of the Society, and most courteous and able in every possible way; but when he (the speaker) saw in the Balance Sheet that a sum of £1,150 was paid for salaries and rent, he thought, considering the state of the Society and its numbers, that it was a little bit of a mistake to put an additional burden upon the members—(hear, hear)—and also specially with regard to the hope they had as to bringing in the younger members of the profession. He put forward these views with very great deference because the Council of the Society had always conducted its affairs in a manner that had earned the appreciation of the members entirely, and he had no doubt the members would follow the Council; but still he thought this matter was one that ought not to have been sprung upon them as it had been. There were many things that ought to be considered in connection with it, and especially that one point as to bringing in new members, in which respect he thought it might be detrimental. (Hear, hear.)

Mr. G. Palmer (London) thought it must be somewhat of a relief to the Council to feel that there were other opinions than their own; and certainly a little opposition after the unqualified approval of everything so far in that meeting must be welcome. (Laughter.) They had to look upon this matter, as the last speaker had suggested, from the sordid business point of view. Let them take it from that point of view entirely. They were asked to increase their subscription by about double. He thought the apportionment as between the different classes of members must be considered equitable; but what remained for them to consider was the principle of whether they should increase the subscription or not. Now, where could they find a better investment for their money than in an increase in their subscription? (Hear, hear.) If they were each to spend £50 a year individually they could not accomplish what they could accomplish by putting together their £2 2s. each. That was putting the thing from a sordid business point of view, and that was how he looked at it. And if they could not, as members of this important body, raise by hook or by crook an extra £2 2s. apiece, they were not worthy of the name of an honourable profession. (Hear, hear.) The other side of the question had been already amplified by the report But on that point let them look at the history of other Societies. Take the Institute, for instance. All Societies of this kind—in fact individuals too, unfortunately—were reckoned by their surplus and reserve very largely as to their strength. Well, let the Society be strong. It was their duty to be strong now. They had lived twenty-one years, and if they could not glory in the strength of their manhood now they never would. (Applause.)

Mr. Sibson remarked that whereas Mr. Banning objected to paying a larger subscription, in the capacity he (the speaker) occupied as an Associate of the Society not practising—he happened to be an accountant to a public body—on the face of the present proposal he was disposed, until he received some further explanation, to complain that he was asked to pay too little. (Laughter.) He most cordially supported the demand for better accommodation on behalf of everybody. That had really been a sore point in the Society for many years. They really must have better accommodation, and they could not get it unless they had some more money—and they could not get that money unless they provided it themselves—that was perfectly clear. So that his complaint rather differed from that of his friend Mr. Banning. But there seemed to be no reason why all the Associates of this Society should not be asked to pay £2 2s. a year. The Society would have infinitely more money if they all paid that, and why should they not? Although at the moment he held an appointment—as he had done for many years—as an accountant to a public body, he was perfectly willing to pay his £2 2s. a year, and he did not like a differentiation in the rota. They had always been in this Society Fellows and Associates, and he did not like the idea of there being different classifications of the members. He did not suggest that there was any possibility of Associates who were set down as not in practice being at any time under any disability on that account. He was perfectly certain the Council did not entertain any feeling of that sort, and that all of them, together with the Secretary, would stand to a man against any attempt to put any disability upon Associates who might happen for the time being not to be in practice; but there was a danger of differentiating in the rota. At the present moment an Associate who happened to be an accountant to a public

body might, if he pleased, take a certain amount of private practice without anybody being any the wiser. He might have opportunities of putting little items in his pocket, and doubtless many of them did. If he had to set out that he was practising, that might be investigated by people whom he might not desire to investigate it. (Laughter.) If, on the other hand, he did not so describe himself and yet went on taking these little interesting pieces of work, he appeared to be in the position of a hypocrite so far as the Society and his fellow members were concerned. He ventured to suggest that there was no reason whatever why this £2 2s. a year should not be paid by all Associates, whether practising or not. (Hear, hear.) Then there was another point. They had Associates in practice. A young man, if he were fortunate in his profession, might make an income of a few hundreds a year, but that was more or less problematical. He knew what auditors' accounts were; they could not always get them, and had to wait for their money. The man who held an appointment as accountant to a public body, however, was practically certain—unless it was a very unfortunate public body—of getting his salary, and could reckon his expenditure accordingly; so that an Associate not in practice was sometimes in a better position to pay his £2 2s. a year than an Associate in practice.

Mr. Wilson did not know how far Mr. Banning had considered this question, but he hoped that the members would regard this as a great opportunity, and would rise to that opportunity. For many years past they had not been called upon to pay the subscription that they would be called upon to pay to a second-class club, and in his opinion it was not capable of argument on the other side, and he hoped nobody would attempt to argue it. It certainly did not commend itself to his judgment, nor would it commend itself to the judgment of the Council, that they should seek to increase their membership merely to raise more money. (Hear, hear.) Such was the care taken with regard to the material admitted to the Society that he could tell Mr. Banning at once that that was not a possible way out of the difficulty, and therefore it was not worth their while wasting much time over that. There was a slight difference of opinion on the Council when the matter was first considered, but when the matter was gone into in detail all differences disappeared, and quite rightly so. He thought everybody would desire to see the Society properly housed. That day's proceedings had been singularly harmonious, and he did not want even one dissentient voice raised against the proposals made. They were in the interests of the Society. (Hear, hear.) It was not simply a question of the work that had been done that showed, like the recent law case, but there was that attention to detail that had been going on now for twenty-one years, and which made even that trial possible to be won by the large number of representative men whom the Society could draw upon from all parts of the kingdom to give evidence in favour of the Society. That was just one case. Work had been going on in a thousand and one directions which the members had not seen, and if one wanted to complain he could complain of slack-backs who did not properly describe themselves, and who were a drawback when that trial came on. He hoped there would be no such in the future, either in the matter of their description or in the slackness of taking up the Fellowship degree, which everyone who was qualified ought to aspire to, and also that there would be no cavilling at the small extra tax proposed to be put upon the members that day, in which the Council set an example by taxing themselves to a higher figure than any Associate was called upon to pay. He was not going to argue the question of Associates not in practice. So far the Council had not attempted unduly to press upon them, and he did not think that needed much argument from anybody. It was better to leave them in the position that they were in rather than that they should stand up and complain that they had been hardly treated. No one could complain of being hardly or harshly treated; and he hoped that Mr. Banning would neither go away feeling that he had any objection to the proposals made nor do otherwise than vote, as he (the speaker) hoped every one in the room would vote, for the resolution. (Applause.)

Mr. H. J. Burgess said he saw that the proposal was for the greater portion of the increased subscription to come from London members. He for one would be pleased to contribute. They would not have been in the position they were in to-day if they had not been members of the Society, and a man should never kick away the ladder that helped him to get on to the building. If the Council could see their way to get the provincial members and Associates to contribute more towards this proposed increase of revenue he would be very pleased. He noticed, on turning to the accounts, that there was an item of grants to District Societies of Incorporated Accountants and grants to Incorporated Accountants Students' Societies. He would ask the provincial members not to forget the help they received from headquarters; they should contribute more.

Mr. A. E. Showell (Liverpool), as a provincial member, quite agreed with the remarks made by Mr. Burgess. Speaking only on his own behalf, it seemed to him that the provincial members should pay as much as the London members. (Hear, hear.) The advantage, if anything, seemed rather to lie with the provincial members, because if they went in for a worthy establishment which would be a credit to the Society he took it that the provincial members would have the right of user of those premises when in London. One suggestion which he would make, arising out of what the President had said in his speech as to the provincial members having to subscribe to their local Societies, was that the parent Society should take over the cost of administration of the local Societies, that they should cease

to give their small contributions, and that they should take over the cost of administering the local Societies, and then the provincial members would no doubt feel more free and be quite willing to pay subscriptions on the same basis as the members in London. With regard to the proposals made, he considered them extremely moderate. They not only got good value for their money, but they ought to be quite willing and anxious, in order to further the interests of the Society, to enable the Council to have sufficient funds to do credit to themselves and the members generally. (Hear, hear.)

Mr. W. D. Howieson (London) said he had been making a little inquiry with regard to some Societies as to what they were doing. He quite agreed that this Society was not worthily housed. The question was whether they need go to the expense that seemed rather to be foreshadowed. He had inquired at the Auctioneers' Institute, an organisation with about the same membership as that of the Society—some 2,000 members—and found they had a large house at Russell Square at a rent of £150 a year. They had a long lease of it, and having re-decorated it they had very capital premises. Those premises included rooms open to country members, who could at any time come and make appointments with other people. If the Society had a similar building he thought it would be a good thing. It seemed to him that it was not necessary to come into the City, but that they could get premises at a smaller rent in the neighbourhood of Bloomsbury, or some such direction, which would suit their purpose. To take a large, expensive, architectural building would be a mistake. The Institute of Surveyors had a splendid building in Bird Cage Walk, but it had been like a mill-stone round their neck. He did not know whether the Council of the Society had seen what the Auctioneers' Institute had done, but it seemed to him that the Society might take an example from them, and that it was unnecessary to go to any very large expense. Reference had been made by the President and by Mr. Wilson to the reluctance there was on the part of Associates to become Fellows. Was not that perhaps a matter of increased subscription? Was it not a question whether, if they increased the subscription of the London members to £4 4s., they would get Associates to come forward and become Fellows, as they were hesitating to do so even now? As regards the premises they would be equally for the country member as for the London member—in fact, more for the country member than for the London—and it seemed to him that the subscription of country and London members should be equal. Probably they would achieve all their objects if they made the London members' subscriptions for Fellows £3 3s., and Associates £1 11s. 6d., and made no difference between London and country members. (Hear, hear.)

Mr. E. Richmond (Sheffield) asked if the meeting had to vote for or against the resolution, as the case might be, and that would settle the matter; or if any of the suggestions made were to be adopted by the meeting, did that mean that later on the matter would have to be again submitted to another meeting of the members? It would perhaps help to shorten the meeting if they had a ruling at this stage.

The President: My ruling is that we must either take or leave the resolutions as they are on the paper.

Mr. C. H. Patterson (London) said that in the interests of a large number of members of the Society who were not in practice at the present time, and were not likely to be, owing to the positions which they held on public bodies and otherwise, he would like to know whether in view of future registration it was likely that any distinction would be made. That was to say, was there going to be a separate classification of accountants in practice, either Fellows or Associates, and was there going to be some distinction made in the future registration? He asked this because they were all quite conversant with the feelings expressed from time to time by the Institute of Accountants, and he thought it was only reasonable that they should at this stage have some explanation as to what their future position was likely to be.

Mr. Sibson asked if it would be possible to move an amendment on the subject.

The President: I am afraid not. We are legally advised that we cannot alter the resolution.

Mr. W. H. Ashmole (London) wished to follow up the question asked by Mr. Patterson. It seemed to him that there should be some understanding on the point.

Mr. Wilson asked the speaker to read the last paragraph but one on the second page.

Mr. Ashmole said he had read that paragraph, but it did not answer the question. It appeared to him there ought to be some common understanding on the point. He personally did not agree with the differentiation of members. He heartily agreed with the increased subscription, for the requirements of the Society demanded it, but he was absolutely opposed to this differentiation of members, and he felt a suspicion creeping over his mind that that differentiation would be used against the members not in practice, possibly, in future.

Mr. Wilson: Not at all.

Mr. Ashmole said he hoped not, but that was a suspicion which occurred to his mind. With regard to Associates not taking up their Fellowship, that was doubtless largely due to the prohibitive entrance fees and subscription. (A laugh.) He thought the Society would greatly benefit if the Council could do something in that direction. H·

saw some members smiling, but he knew it to be a fact, all the same, that there were hundreds of Associates all over the country who would take up their Fellowship degree and pay the subscription if it were not for the entrance fee, which must tell against the interests of the Society's funds in the long run. He would ask the Council seriously to consider putting all those members, both in and out of practice, on the same footing.

Mr. HOWIESON intimated that he would like to move an amendment in accordance with what he had suggested.

The SOLICITOR: I am afraid we cannot have any amendment. We must take the resolutions as they are, and either adopt them or leave them; there is no other alternative.

The PRESIDENT: With reference to the point Mr. Howieson raised as to the Auctioneers' Institute, our profession is a little different from that of auctioneers. We are associated so much with the City that we must have our headquarters in the City. (Hear, hear.) They would all like to be able to get a fine building outside the City at a low rental, but unfortunately they could not do it. Their position undoubtedly was within the City, and, not only that, but within a short distance of the Bank. (Hear, hear.) With reference to Mr. Patterson's question, of course he could not discuss it here. But his answer was this—that the interests of all parties, of all classes, of all grades in the Society would be studied in any legislation that took place, and fully safeguarded.

Mr. WILSON: We have never deviated from that.

Mr. E. A. COOMBS said he was exceedingly sorry the President was unable to give the meeting a little further information than he did. Up to the point when he rose to answer Mr. Patterson's question he (the speaker) was strongly in favour of the proposal of the Council, but in view of the reply the President gave to Mr. Patterson's question he now felt that there was some danger. He was not accusing the Council of bad faith, or anything of that sort, but he was afraid, from the nature of the answer given, there might be some danger in future that Fellows and Associates not in practice might be relegated to an inferior position to that held and occupied by Fellows in practice. Of course, it was very difficult for him—and no doubt it was also difficult for other members in the same position as himself, as a Fellow not in practice—to vote upon this question as he would be prepared to vote if he could have a clear assurance that there would be no differentiation in the voting power of Fellows and Associates not in practice and Fellows and Associates in practice.

The PRESIDENT: There is no difference.

Mr. COOMBS: There is none at the present time.

Mr. WILSON: Nor will there be.

The PRESIDENT: So far as our Society is concerned there will be no difference whatever. I thought you were going to try to pin me to a question of what will take place when we get statutory recognition. That is what I thought you were referring to. If it is only so far as this Society is concerned, I may say there will be no differentiation in voting power. I am sorry I misunderstood the gentleman from the beginning. I thought he referred, by the way he was speaking, to negotiations with the Institute for the purpose of bringing in a Registration Bill, which are, of course, privileged.

Mr. COOMBS was exceedingly obliged to the President for his explanation, but he felt now that there was no justification for Fellows and Associates not in practice being asked for a smaller subscription than that payable by those in practice, and he was sorry they were asking for it.

The PRESIDENT: It has been the custom of another Society to do the same thing—a senior Society—and probably we have, to my regret, somewhat followed on their lines. I am rather with you in the matter personally. I should like to have seen the whole of the subscriptions the same.

Mr. COOMBS: Cannot we have it?

The PRESIDENT: We cannot alter it at the present time, and my duty now is simply to put the resolution to the meeting.

The resolution, upon being put, was carried, five members dissenting.

The PRESIDENT: I should like to mention that I have here, in my hand, 332 proxies in favour of the resolution, and none against. (Applause.)

Mr. H. SIBSON: Would it be possible for the Council to take into consideration the view that has been expressed?

The PRESIDENT: Not to-day; we would be capable of doing that at another meeting. That concludes the business of the extraordinary general meeting, but we are now going to proceed to a very pleasant little meeting, and when I mention the name of Mr. Martin I am sure all the gentlemen in the room know what I am referring to. (Applause.)

Addressing Mr. Martin, the PRESIDENT said: It has been the pleasure of the members of this Society to present you with a testimonial in recognition of the twenty-one years' service that you have devoted to this Society, and I have very great pleasure in presenting it to you. I will read the address, which is accompanied by a silver service of plate, a cigar-box, and also a little present of diamonds for Mrs. Martin. (Applause.) I do not wish to say any

more in introducing the matter, because our sentiments are duly set out in the address that I shall read to you. That address is as follows:—

"To

Mr. James Martin,

Secretary of the Society of Accountants and Auditors (Incorporated 1885).

Dear Mr. Martin,

We, the undersigned members of the above Society, desire upon the occasion of your completing twenty-one years' service as our Secretary to express to you the deep sense of indebtedness which is felt by the Society as a whole for the services which you have rendered in that capacity, and to the cause of professional accountancy throughout the British Empire. We recognise and wish to place on record in no conventional manner the fact that you have ever brought to the performance of your official duties a zeal which money could not buy, and that you have exhibited in a conspicuous degree those qualities of urbanity, tact, and unswerving devotion to duty which characterise the ideal Secretary, and which in your case have not only inspired us with the fullest confidence, but have begotten from all with whom you have been brought in contact an affectionate regard. Your completion of this lengthy term of service (which is almost coincident with the life of the Society) affords the members an opportunity of which they gladly avail themselves to put into concrete shape some expression of the high esteem in which you are held by them, and we therefore respectfully beg your acceptance of the accompanying silver service, as conveying in some measure their sincere appreciation both of your character and work.

It is also our especial pleasure, in order to associate Mrs. Martin with the occasion, and to show our appreciation of the interest she has always shown in the social functions of the Society, to ask her acceptance of a diamond pendant.

In conclusion, may we be permitted to express the earnest hope that you may long be spared to serve and give lustre to the Society in the future, as you have done in the past."

(Loud applause.) This address, I may say, is already engrossed on vellum in the album which I have before me, and there will also be bound up in the album eventually an imitation of the signature of every donor to the testimonial. I beg, on behalf of the Society, your acceptance of this album—though not quite in the form in which it will appear eventually—the address, and the plate for yourself, and the diamond pendant for Mrs. Martin. (Loud applause.)

Mr. Martin, who was loudly cheered upon rising, and who was visibly affected by this expression of the members' esteem, said he had faced the members a good many times during the last twenty-one years, and did not think he had ever been known to turn his back upon their opponents. But he thought he would have tried to make his escape from that meeting had there been an easy, convenient, and unobserved way of getting out, not because he failed to appreciate those beautiful gifts, but because he found himself totally unable to do justice to their kindness. He valued those gifts not merely for their intrinsic value, which was very great, but because they were a concrete expression of all the affectionate regard which had been showered upon him for the last twenty-one years. (Applause.) If he had accomplished something as the Secretary of the Society—and he supposed he must admit that he had accomplished something, because his life had been bound up in the Society—it was because of the assistance which had been given to him by others. In the first place, he would speak of his devoted wife, and how delighted he was to think that she had been in their thoughts, for she had never hesitated to support him in his work, and for his sake and for the Society's welfare, to leave home and children and go to distant parts of the world. Next he would refer to his friend and partner for a quarter of a century, Mr. Arthur King Farlow, who had during the whole time been his backer, and had never failed to support him in everything he had undertaken. Mr. Farlow had his reward, for there were few men who were more respected to-day, in the ranks both of the Institute of Chartered Accountants and themselves, because he was a good sportsman and ever ready to do battle for either. Mr. Martin also bore testimony to the valuable help he had received from the Assistant Secretary, Mr. William Strachan, and the staff of the Society, as well as to the work which had been done by the members of the Council, the District Secretaries throughout England, and the Secretaries in the Colonies. He said in conclusion: Just let me add one sentence as to the Society itself. When he heard a Judge of the High Court say that their certificate was a certificate of reliability and integrity he felt that their twenty-one years' work had not been in vain. (Loud applause.) He asked for nothing better than that—that every Incorporated Accountant would live up to the standard to which his certificate had attained. In conclusion, he thanked them most heartily for the beautiful gifts, which were an outward and visible sign of all the affectionate regard which had been showered upon him not only in England and Wales, but in Scotland, Ireland, and the British Dominions, and he and his wife and children would ever value them and treasure them. (Loud applause.)

The PRESIDENT said he had one more little statement to make—namely, that the Victorian branch of the Society were about to make a presentation to Mr. Martin indicative of the character of their country. He would also like to say that all their Colonial branches had contributed to the testimonial, and that one and all wrote most encouraging letters regarding the work of the Society, and especially that of Mr. Martin.

The proceedings then terminated.

The Education of English and American Accountants.

(From *The Journal of Accountancy*, N.Y.)

IN the March number of *The Journal* we contrasted the methods of accounting practice in vogue in England and the United States, and discovered that President Sells spoke within bounds when he asserted that the English accountant might in matters of practice learn much from his American brother. We now wish to call attention to another phase of the subject. Mr. Sells, while claiming some superiority for the American practitioner, admitted that accountancy as a profession stood upon a higher educational and ethical plane in England than in the United States. Is this statement wholly true? In regard to one part of it we are not inclined to raise any question. The subject of comparative morality is altogether too hazy to admit of debate. It is difficult to prove that one man's rules of conduct are nearer the ideal than another's. It is commonly taken for granted that a community's ethical standards improve with age, and that the standards prevailing in an old country are superior to those in a young country. So we have no doubt that the profession of accountancy in England, as a result of its years of experience, has evolved a more admirable code of behaviour than is now recognised in the United States. But is the English accountant necessarily a better trained man than the American? Has the Englishman a superior education? That topic demands discussion, for education is a subject in which prominent and patriotic accountants in this country are at the present time most specially interested.

We fear it must be admitted that in general culture and equipment the practising American accountant is at present not quite up to the English standand. We doubt if the average American accountant is as well read as the Englishman, and we are pretty certain that the American cannot write so good a letter, and that he is less at home in the higher mathematics. The average American practitioner of this generation is a man who had no thought in his youth of becoming an accountant. He took up the work because circumstances proved that he had a natural aptitude for it. What he knows of accountancy he has learned in the hard school of experience, and by the study of books written by English accountants. These statements, of course, are not true of all American accountants, but they are true of the great majority. Some of them are graduates of high schools or academies, and have a general education—so far as that can be got from schools—quite as thorough as that which is possessed by the English accountant. But many of them, if not most of them, went into business direct from the public or so-called "grammar schools," and have got their higher as well as their professional education by home and office study without the aid of teachers. In England, on the other hand, the Chartered Accountant is a man who has served a prescribed apprenticeship, and completed a definite course of study. He chose his profession in his youth, and his school education and subsequent study under professional instructors were all designed to fit him for intelligent work as an accountant. It must be admitted, therefore, that the present generation of English accountants in point of education is superior to the present generation of American accountants.

We must reach a different conclusion, however, if we consider the educational requirements governing the young men who are now entering the profession. During the last ten years the practising accountants of this country, keenly aware of the defects of their own education, have initiated an educational policy which promises to put the profession within a few years on a higher intellectual plane than has yet been attained in England. For example, a young man who wishes to become a certified public accountant in the State of New York—and in some other States—must pass examinations quite as broad in scope and difficult in character as those which are exacted of the articled clerk who desires to become an English Chartered Accountant. For example, in the State of New York the candidate for a certificate, before he is permitted to take the C.P.A. examinations, must have a general education equivalent to that given by a four-year high school course. If he is not able to give evidence that he possesses this education, he must pass State examinations in high school subjects, and thus obtain the necessary "counts" or credits. The C.P.A. examinations for which he is then eligible embrace Theory of Accounts, Practical Accounting, Auditing, and Commercial Law. Even after he has passed these examinations successfully, he is not given the certificate unless he has served three years in the office of a practising public accountant.

It does not appear that the young Englishman, in order to become a Chartered Accountant, has before him an educational task any more difficult than that which confronts the young American. The English youth must first become an articled clerk with a practising Chartered Accountant, and cannot be accepted as such unless he first passes a "Pre-

liminary Examination" in English composition, arithmetic, elementary algebra, history of England, geography, elementary Latin, and two other subjects selected from the languages, mathematics, and the natural sciences. After two and a-half years of service as an articled clerk, during which period he is supposed to be studying the rudiments of his profession under the tutelage of his employers, he is permitted to try what is called the Intermediate Examination, which covers the following subjects:—

(1) Bookkeeping and Accounts (including Partnership Accounts).
(2) Bookkeeping and Accounts (including Executorship Accounts.)
(3) Auditing.
(4) The Rights and Duties of Liquidators, Trustees, and Receivers.

At the end of his five-year service as articled clerk, if he has been successful in the Preliminary and Intermediate Examinations, he is permitted to go up for the Final Examition, which covers the following subjects:—

(1) Bookkeeping and Accounts (including Partnership Accounts).
(2) Bookkeeping and Accounts (including Executorship Accounts.)
(3) Auditing.
(4) The Rights and Duties of Liquidators, Trustees, and Receivers.
(5) The Principles of the Law of Bankruptcy and of the Law Relating to Joint Stock Companies.
(6) The Principles of Mercantile Law and of the Law of Arbitrations and Awards.

It is evident that the Intermediate and Final Examinations cover practically the same subjects embraced in the C.P.A. examinations in the State of New York. It is quite possible that the English candidate knows more law than the American candidates in some of our States, but it is very doubtful if he has so broad a knowledge of the law as is to be required hereafter of candidates in the State of Pennsylvania. Indeed, the tendency has been during recent years greatly to stiffen the examinations in law in New York and other States. As for the examinations in technical accounting, there is probably no difference worth speaking of; the American and English papers doubtless cover the same subjects, and are equally difficult.

Having reference, therefore, to existing standards, it can not be truthfully said that the English accountant has a better education than the American. Indeed, the American high school probably gives our young men a broader and more valuable training than English youths are able to get from corresponding schools in Great Britain. Leaving this out of account, we find only one feature of the English system which is lacking here, namely, the articled clerkship, which requires of the candidate five years' service in the office of a Chartered Accountant. In the State of New York, and in several other States having C.P.A. laws, candidates are required to give only three years to such service. This service is considered necessary, not as an educational requirement, but as a guaranty that every certified public accountant has had actual experience in business and is not merely crammed with theoretical knowledge gained from books and teachers. It is perhaps unfortunate that the young accountant in this country gets no systematic personal instruction from his employer, but we doubt very much if he is in this respect much worse off than his English contemporary. Furthermore, in this country university schools of accounts have been established within recent years, and some of them are giving much more thorough instruction in accounting and commercial law than could possibly be given to an articled clerk by any single firm of Chartered Accountants. The apprenticeship system has never been popular in America, and probably never will be. Our young men get their general and professional training in day and evening schools, their experience they get in offices, and they receive salaries while they are getting it. This is the American plan, and we are inclined to think that its educational value is quite as great as that of the apprenticeship plan which obtains in Great Britain.

While the young American accountant is to-day beginning his career with an education equal to that of the young English accountant, the same equality cannot be predicated when we compare Scotch and American requirements. A Scottish Chartered Accountant, in addition to examinations in all the subjects required in England, must also pass examinations in Actuarial Science and Political Economy. Scotland, therefore, must now be ranked as the pace-maker in the education of accountants. Let us hope that within ten years the educational standard in the United States will have risen from the English to the Scotch level, and perhaps have gone a few notches higher.

Meetings for the ensuing Week.

Tuesday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Preliminary Examination, commencing at 10.30 a.m.

Wednesday—INSTITUTE OF CHARTERED ACCOUNTANTS.— Preliminary Examination, commencing at 10.30 a.m.

Finance Committee, at 12.30 p.m.; Council Meeting, at 2 p.m.

Thursday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Preliminary Examination, commencing at 11 a.m.

Personal.

MR. WILFRID SMAILES, of Ocean Chambers, Lowgate, Hull, Chartered Accountant, and Messrs. DRURY & HOLTBY, of 3 Parliament Street, Hull, Chartered Accountants, announce that they have amalgamated their practices as from the 1st June 1907, and the business will, from that date, be carried on at Ocean Chambers, Lowgate, Hull, under the style of SMAILES, DRURY & HOLTBY.

MR. JOHNSON M. WOODMAN, F.C.A., of 95 Gresham Street, London, E.C., has taken into partnership Mr. HERBERT A. COX, A.C.A., of 52 & 53 Cheapside, E.C. They will practise at the above addresses under the style of WOODMAN, COX & CO.

MR. B. H. BROOK ELDRIDGE, Chartered Accountant, of Temple Chambers, 33 Brazennose Street, Manchester, has taken over the practice carried on by Mr. S. B. BRIGGS, at 76 Derby Street, Macclesfield, and will continue the same under the style of BRIGGS & ELDRIDGE. His practice in Manchester will be carried on in his own name as before.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday May 24th was 123, viz.:—New Bankruptcy Proceedings published in the *London Gazette* 56; Deeds of Arrangement registered, 67. The respective numbers in the corresponding week of last year were: Bankruptcies, 93; Deeds of Arrangement, 82—total, 175. being a decrease of 52. The total number of commercial failures recorded during the 21 weeks of the present year is 3,239; the total number recorded in the corresponding 21 weeks of last year was 3,544, showing a decrease of 305.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday May 24th, was 112. The number in the corresponding week of last year was 146, showing a decrease of 34. The total number filed during the 21 weeks of the present year is 3,158; the total number filed in the corresponding 21 weeks of last year was 3,182, showing a decrease of 24.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday May 24th amounted to £3,104,949, by way of addition to £2,547,109, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,322,068, showing an increase of £1,782,881. The total amount registered during the 21 weeks of the present year is £37,698,542 (in addition to the issues in previous years by the same companies), as compared with £36,288,312 for the corresponding 21 weeks in 1906, showing an increase of £1,410,230.

The Profession in Scotland.

Personal.

Mr. Joseph Patrick, C,A., Lochwinnoch, has been made a Justice of the Peace for Renfrewshire.

Death of Lord Young.

Sincere regret was felt throughout professional circles in Scotland when the death of Lord Young, on the 22nd ult., was announced. George Young was the son of Alexander Young, well-known in his day as the Procurator-Fiscal of Dumfriesshire, to whom he was born at Dumfries in 1819.

Mr. Young completed his education, says *The Scotsman*, at the University of Edinburgh, and passed advocate at the earliest possible moment in 1840. He soon made his mark in the Parliament House, where, though in politics a Whig, he came to be on intimate terms with Mr. John Inglis, then rapidly rising into fame. He was to render substantial aid to that great man as his junior in many important cases, and notably at the trial of Madeline Smith. His rapid progress in the profession is attested by his appointment to an advocate-deputeship in 1849, and still more by his promotion to the sheriffship of Inverness-shire in 1853. When the five years of Tory interregnum had come to an unexpected end in 1846, the golden age of Whig supremacy recommenced. But Mr. Young, so far as we are aware, had no special claim except merit upon the extremely close corporation which distributed and enjoyed the legal patronage of Scotland at that period. Neither by birth nor by connection was he allied to the predominant "clique," as its enemies were in the habit of calling it. That before the middle of the fifties he was well on his way to high office is ample evidence of the position he had made for himself and the reputation he had earned.

From Inverness he passed to Haddington in 1860, and two years later he succeeded Mr. Edward Maitland (Lord Barcaple, as Solicitor-General. This was the beginning of an official association with the late Lord Moncreiff, then

Lord Advocate, which was destined to be resumed, after some interruption, in another sphere, and which throughout proved the reverse of harmonious and agreeable. The eager and ambitious spirit of Mr. Young could ill brook subordination to an intellect which he deemed inferior to his own. He never, indeed, ousted his superior in office from the high place in the confidence of his party which the latter so worthily occupied during the Palmerston *régimé*. But he could fall short of that loyal and willing service which a chief is entitled to expect from his second in command, and he could avail himself of the opportunities for a "policy of pin-pricks" which his remarkable talents and restless temperament abundantly suggested. He did not become Lord Advocate until 1869, when Moncreiff succeeded George Patton as Lord Justice-Clerk. He had then been in Parliament for several years, having been first returned for the Wigtown Burghs in 1865.

All this time he was in the enjoyment of a very large practice in the Parliament House, as the later volumes of Dunlop's reports and the earlier of Macpherson's unequivocally testify. He was "in everything," as the phrase goes, and his pleading, *omnium consensu*, was powerful and impressive in a very high degree. His method was distinguished by great deliberation, and he never practised at the Bar the expedition which he was afterwards wont to inculcate upon others from the Bench in the Outer House.

As a cross-examiner he was brilliant, effective, and merciless, though sometimes he overshot the mark by the very fierceness of his onslaught. Thus, in the once famous jury cause of *Gelot v. Stewart*, he began by making a protracted and ferocious attack upon Madam Lynch, the mistress of the ex-Dictator of Paraguay, and so enabled that singularly astute witness to recover her composure before he came to the crucial facts, and completely to baffle her formidable assailant. He would press upon the Bench some point of law which he fancied with astonishing pertinacity, as may readily be imagined by a generation which has observed him in the Division. He sought, apparently, to attain his end by coercing or "concussing" the tribunal rather than by the blander arts of mere persuasion. But, whatever his defects, no reasonable man who hearkens to the voice of tradition and marks the reminiscences of veterans still with us can doubt that he must be ranked among the greatest advocates who have practised at the Scottish Bar.

Mr. Young sat in the House of Commons for less than nine years, during two-thirds of which he held office. Had his Parliamentary career been prolonged, he might well have risen to Cabinet rank. As it was, he enjoyed to the full the confidence and esteem of his colleagues. He became well known in a certain section of the political and legal world of London, where he was courted and made much of as a sayer of good things.

In the conduct of Scottish business, as we have indicated, Mr. Young was autocratic and masterful. His administration of patronage was on the whole enlightened and judicious, though his treatment of Mr. Glassford Bell, for which no doubt the Treasury was at bottom responsible, brought the Government into considerable odium in the West of Scotland. He left his impress on the Statute Book directly, and perhaps vicariously, too, for it was thought that two statutes of the highest practical utility which it was reserved for a Conservative Government to carry were really found by Lord-Advocate Gordon in the pigeon-holes at Spring Gardens. Whatever may be the case with the Court of Session Act of 1868, the Conveyancing Act of 1874 is perhaps scarcely iconoclastic enough to be entirely the work of Mr. Young's hands. The Law Agents Act of 1873, which was all his own, effected an important change in the internal economy of the legal profession in Scotland. But, of course, the measure with which his name will be for ever associated is the Education (Scotland) Act, 1872. Imperfect in some respects, like all other human inventions, the system which it set up has shown remarkable elasticity and singular adaptability to fresh requirements and altered circumstances. So well, indeed, has it worked that there is little popular demand for a root-and-branch reconstruction. Country parishes rejoice in the power of controlling their own educational affairs, and the schoolmasters have not yet succeeded in their crusade for the restoration of fixity of tenure.

Lord Young married early in life Janet, daughter of Mr. George Graham Bell, of Crurie, Dumfriesshire, a well-known advocate. Mrs. Young, by whom he had a large family, died in 1901, and his Lordship is survived by five sons and six daughters, of whom one is married to Lord Mackenzie, and another to Mr. James Adam, advocate.

Scottish Insolvencies.

For the week ending 25th May the number of insolvencies reported in Scotland was 22, as compared with 11 in the corresponding week of last year. The trust deeds numbered 10, as compared with 9; the sequestrations 7, as compared with 1; and the petitions for cessio 5, as compared with 1. The total number of insolvencies for the twenty-one weeks of the year is 595, as compared with 548 in the corresponding period of last year—the trust deeds numbering 288 against 265, the sequestrations 111 against 136, and the petitions for cessio 196 against 147. Of the 10 trust deeds reported during the week, one only was granted in favour of a Chartered Accountant. Four voluntary liquidations of limited liability companies were gazetted during the week, making 63 for the twenty-one weeks.

THE "Yearly Report and General Balance Sheet corresponding to 1906" of the Banco de la Nacion Argentina, just to hand by mail, is a document of a somewhat extraordinary character, as bank reports go. It is signed by Senor R. Santamarina (President); but whether the full credit for its fine quality belongs to the author or his translator is a moot point. Here is a fine, full-flavoured example of its quality:

> "We have thought it convenient to acquire for the bank suitable edifices for the establishment of branches, thus fulfilling an aspiration of the localities which see the bank's stability assured in that way and the desire of the direction to be fixed in each centre in a form which exteriorise the prestige that should accompany our Institution."

How prosaically, by contrast, would one of our own joint-stock institutions announce the opening of new provincial branch offices.

After a few references to facts and figures, the report proceeds:—

> "Law No. 4507 which modified the Charter of the bank in the moment most propitious for the development of the operations of our grand institution of credit, has given the widefelt and beneficial results which the country expected, and it can be said that the bank, in becoming the greated propulsive factor of our riches, amply fulfils the high mission confided to it. However, the vital sources of the country are so powerful, its expansional power so grand, its progress so extraordinary, that all provision falls short; and thus we see the bank action limited in a certain manner by the unhoped for development the business transactions attained, circumstance which has determined the banking companies to augment their resources."

Exactly what the last sentence means we do not profess to know, but if we take it as foreshadowing an early issue of new capital we shall probably not be far from the mark.—*Financial News.*

BLINDFOLD JUSTICE.—Benjamin Reynolds was whipt for taking that delicious old tool a hedging-bill, not yet (thank Heaven) superseded by any steam hedge clipper. But how could one steal, as Edward Gilbert was alleged to have stolen, two beehives, value eightpence, *from a person unknown?* How could Simon Young, Anne his wife, Thomas Young and Mary his wife manage to steal nine shillings and tuppence from a person unknown? Or rather, how could they be convicted of the same? Did they confess, when the nine and tuppence had burned a hole in their quadrilateral conscience? Or was the person unknown someone whose name the justices wished to conceal? I was always vainly hoping to meet an assault and battery upon a person unknown. I was much puzzled by the low value often set upon sheep and other frequent subjects of theft; "for purposes of larceny" a sheep, which must have been worth on an average 7s. 6d., is often valued at ninepence. The explanation is that you couldn't be hanged for less than a shilling theft, and in the cases cited the justices did not always want you to be hanged. But did they arbitrarily reduce the price of the sheep, or was it the merciful nature of the indictor that fixed its value so low?—From "Wanted, More Knowledge," in *The Cornhill Magazine* for June.

IT was an old Virginia Judge, says the *Green Bag*, who, when the lawyers had summed up for the plaintiff and defendant respectively, charged the jury: "Gentlemen of the jury, if you "believe what the lawyers for the plaintiff have told you you must "find for the plaintiff. If you believe what you have heard from "the lawyers for the defendant, you must find for the defendant. "But if you are like I am, and don't believe a —— word either "have told you, I don't know what you will do."

FROM Michigan, says the American *Case and Comment*, comes the following certificate given by an abstracter as to a certain person's title to a piece of land: "Mr. ——— appears to have "all the title in this property that he ever had, but the records do "not show that he ever had any property."

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1907	4%

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Leading Articles.

Auditing in Australia.

THE *Sydney Morning Herald* of the 16th April last contains a short account of a meeting of several of the shareholders of the Australian Newspaper Company, Lim., which had been convened for the purpose of informally discussing a circular that had been issued to the shareholders by Mr. J. ROBERTSON, F.S.A.A., one of the auditors of the company, with regard to the last-issued Balance Sheet. Before the discussion had progressed very far it was decided to ask the reporters to retire from the meeting, and, accordingly, our contemporary's report is incomplete. It contains, however, a statement, alleged to have been made by the auditor, that the printed Balance Sheet purporting to have been signed by him had not been presented to him, and he had not known of its existence until after going through the books—a statement which is sufficiently

serious to call for very careful consideration on the part of the shareholders and upon the part of the profession generally.

A copy of the circular issued by Mr. ROBERTSON to the shareholders has reached us, and we observe that it is indorsed by the President of the Sydney Institute of Public Accountants and the President of the New South Wales Division of the Society of Accountants and Auditors (Eng.), who express themselves as entirely agreeing with Mr. ROBERTSON'S action. This circular sets out in full the Balance Sheet and Profit and Loss Account to the 30th June 1906 in the form in which it is alleged they should have been issued to the shareholders, and also the same documents in the form in which they were issued without the knowledge of the auditors, although their certificate and signatures were appended thereto.

Comparing these accounts we find that the difference in the Profit and Loss Account is that, whereas the account which the auditors claim to have been submitted to and approved by them showed a debit balance at the commencement of the year of £5,918 3s. 4d., it was reduced at the end of the year to a debit balance of £5,834 17s. 5d., the Profit and Loss Account actually issued omits these balances altogether, and shows a credit balance of £83 5s. 11d., which is brought into the Balance Sheet upon the left-hand side as "Balance," without any qualification whatever; while the debit balance on the Profit and Loss Account on the 30th June 1905 of £5,918 3s. 4d. has been added to the Goodwill Account, increasing that item from £18,844 0s. 6d. to £24,762 3s. 10d. The essential difference between the two Balance Sheets is that the one which the auditors claim to have been submitted to and approved by them showed an adverse balance on Profit and Loss Account of £5,834 17s. 5d., while the Balance Sheet issued showed an available balance of undivided profits amounting to £83 5s. 11d., and the Goodwill Account written up by the amount of the accumulated loss to the commencement of the year then current.

It does not appear to be very necessary to discuss whether or not the Balance Sheet in this amended form might properly have been issued by the company and approved by the shareholders, but Mr. ROBERTSON'S allegation that the names of the auditors have, without their authority, been appended to a Balance Sheet differing in somewhat material particulars from that which was submitted to and approved by them is another matter altogether; and, if the facts are as stated, its seriousness cannot be whittled down by any argument as to the correctness of the accounts as issued. We do not know how the law with regard to the matter stands in Australia, and it is, of course, only in its general significance that the matter is of general interest to our readers. The point that will be uppermost in their minds will naturally be, assuming that the directors of an English company had acted in the manner that the directors of this Australian company are alleged to have done, what would the consequences have been?

So far as the auditor is concerned, it was held in *Re Joseph Hargreaves, Lim.*, that the auditor was under no obligation to communicate personally with the shareholders; but at the same time we have little doubt that the Council of the English Institute would, under such circumstances, approve the conduct of any member who went out of his way to draw the attention of the shareholders to the facts.

So far as the directors of such a company are concerned, there can be little doubt that they would come under the provisions of Section 28 of the Companies Act, 1900, as having wilfully made a statement in a Balance Sheet false in a material particular, with the necessary consequences. If it were sought to bring such a case within the provisions of the Larceny Act, 1861, it would be necessary to prove that the accused had acted with intent to defraud, whereas, of course, it is quite conceivable that they might have no such intention, and might merely have acted in ignorance; but under the 1900 Act mere ignorance, or a failure to appreciate their responsibilities, would be no defence. Thus it would be seen that the risk of accounts being issued in a form differing in any material particular from the form in which they have been approved by the auditors is limited either to cases where the directors act carelessly or in ignorance of the seriousness of what they are doing, or to cases in which they are prepared to take the consequences of deliberately issuing false statements with intent to defraud. In the nature of things, cases coming under either heading are not likely to be numerous. It may, however, be recalled that the forgery of an auditor's signature to accounts, which had never been submitted to him, by a fraudulent secretary, who by that means was able to conceal his defalcations for several years, is not altogether unknown, and thus it follows that the mere fact that the name of a certain auditor is printed at the foot of a published Balance Sheet is not of itself conclusive evidence that the accounts have been audited and approved by him.

The Question of Depreciation.

WE have no desire to weary our readers by reiterating comments upon the subject of Depreciation, but it so happens that several very important papers upon this interesting subject of Depreciation have recently been delivered, and each of these calls for due consideration in its turn. The one with which we propose to deal in the present article is that read by Mr. P. D. LEAKE, F.C.A., at a recent meeting of the Institute of Directors, on the question of Depreciation, and the Measurement of Unexpired Outlay on Productive Plant, a full report of which appeared in our issue of the 20th April last.

The lecturer pleads for a more careful study of the subject than has, it is to be feared, hitherto been general among company directors, and for the employment of better methods of computing the proper charge against Revenue in order to avoid the payment, however inadvertent, of dividends out of capital. We need hardly say that we are entirely at one with Mr. LEAKE as to the importance of the subject, and we trust that its consideration at a meeting of the Institute of Directors may be regarded as an indication that the subject is at length attracting the serious attention of those responsible for the financial policy of joint-stock companies. Of course, the difficulty that has ever stood in the way of a proper and scientific treatment of depreciation has been the supineness of the Courts, which, adhering to the prehistoric cash basis of accounts, have never been persuaded to advance further in the matter than to treat adequate provision for depreciation, when insisted upon by directors, as a matter of internal management, with which they do not care to interfere. Never yet have the Courts gone so far as to declare that there is any necessity to make a charge against Revenue for depreciation prior to the date when it becomes necessary to consider

the proper allocation of expenditure upon renewals, and this studied disinclination of the Courts to take any active part in the establishment of company finances upon a sound basis has, of course, been taken the very fullest advantage of by those who find it more convenient to work from hand to mouth than to make due provision against the current profits of each year for all expenditure and all losses incurred during that period.

Stated shortly, the remedy suggested by the lecturer for the existing unsatisfactory state of affairs is publicity, and he accordingly advocates the compulsory keeping by every company of a detailed Register of Productive Plant, which would enable those having access thereto to ascertain, without any unreasonable expenditure of time, whether or not the question of depreciation was apparently being treated upon a reasonable basis. *Primâ facie* the suggestion sounds most alluring, but when carefully examined it must, we think, be admitted, however reluctant one may be to make the admission, that it is altogether impracticable.

In the first place, the keeping of such a Register would involve the compiling of a very detailed record indicating the exact nature of the plant owned by each individual undertaking, open for all practical purposes to all interested parties, including competitors. That is to say, it would not be possible for any manufacturing company to lay down new plant of any kind without at once advertising the fact to its competitors, and those who are desirous of acquiring information as to the wearing capacity of such novelties would be provided practically free of expense with the most up-to-date experience of others similarly engaged. There can, we think, be little doubt that the publication of such data would be extremely damaging to those manufacturers who were sufficiently enterprising to occupy the first rank of pioneers in mechanical industry. They would be obliged to confess in black and white all their little failures and miscalculations, and the benefit of their experience would be open to all and sundry who had not participated in their risks. It necessarily follows that the practical effect of such a provision would be to greatly discourage the trial of new methods, even upon an experimental basis, and thus to retard development.

Then, again, we may point out that a necessary corollary of such detailed disclosure is to lighten individual responsibility. Where information is supplied, even inferentially, the reasonable deduction is that absence of criticism implies approval. Thus it seems to us not unlikely that directors would feel perfectly justified in providing for depreciation upon an absolutely inadequate scale provided only their shareholders did not object, and it requires but little experience of the ways of shareholders to foretell that they are not very likely to object overmuch to a financial policy that enables large dividends to be declared. In these days of temporary and speculative holders of shares in public companies it seems out of the question to expect the members of a company, as such, to provide the necessary ballast to secure that the finances of the undertaking are conducted upon a reasonably prudent and conservative scale.

But even supposing that the objections that we have hitherto formulated be capable of being swept aside as entirely unworthy of consideration, the fact would remain that disclosure can only be of value for comparative purposes—that is to say, the average investor, knowing nothing

of the special circumstances, could only gauge the sufficiency or otherwise of the provision made for depreciation by comparing it with some more or less fixed rate which he has been informed, or believes, to be a reasonable rate for the depreciation of assets of that particular class. All those, however, who have gone into the subject of depreciation more than quite superficially, are well aware of the impracticability of laying down hard and fast rates for different classes of assets. So much depends upon individual circumstances that standard or average rates are but little guide. Thus supposing, for the sake of example, it be assumed that 10 per cent. per annum is a generous average provision for the depreciation of machinery, it would certainly not be difficult to point to individual cases where 12½ per cent., or even 15 per cent. was obviously inadequate, or to cases where 7½ per cent., or perhaps even 5 per cent., erred upon the side of over-generosity. If it were possible for those who had access to the proposed Register to determine from an inspection thereof whether or not the provision made for depreciation was reasonable, there might be much to be said in favour of such disclosure, even in spite of its somewhat obvious drawbacks, to which we have already drawn attention. But when it is clear that such information, even when imparted, can serve no very useful purpose, it seems to us that the policy of disclosure might prove actively harmful, as conveying an appearance of safety which would not be borne out in actual practice. We can quite appreciate that company directors would wish in this way to avoid what may appear to them to be undue responsibility by throwing upon others what are really their own burdens, but inasmuch as it is impracticable to place the whole of the facts before those others sufficiently to enable them to arrive at a reasonable conclusion on the matter, we think that it would be clearly undesirable to allow directors to shelve their responsibilities in this way. We arrive at this conclusion most reluctantly, because we cannot help feeling that, in general, any movement which has the effect of taking shareholders more into the confidence of directors is to be encouraged. It is possible, however, to pay too heavy a price for almost any advantage, and if the price asked for what is, after all, a very modified form of disclosure were to be an entire freedom from responsibility, we feel sure it would be undesirable that it should be conceded.

The Question of Auditorship.

IN our issue of the 25th ult. we referred shortly to a case in which Mr. Justice KEKEWICH had nominated a Chartered Accountant to act as auditor of a company in a case where a dispute had arisen as to who was entitled to so act. In a letter which we reproduced last week, Messrs. GEDGE, ILOTT & MCLEOD provide some further information with regard to the matter.

The case, it will be remembered, was an action brought by Messrs. GEDGE, ILOTT & MCLEOD against Ye Mecca, Lim., to determine the question as to whether or not they were the auditors of the defendant company. In February 1906 a committee of shareholders was appointed, who recommended *inter alia* that it was undesirable that the company's auditor should be the partner of a Chartered Accountant who was one of the directors. At the ensuing annual meeting in February last the plaintiffs were nominated as auditors, and were duly elected

upon a show of hands, whereupon the chairman of the company demanded a poll, as a result of which the resolution was negatived. There was, however, an allegation of irregularity concerning this demand for a poll, which was one of the points that Mr. Justice KEKEWICH had to determine.

In the circumstances of the case there can, we think, be little doubt as to the propriety of his Lordship's suggestion of a settlement under which an independent Chartered Accountant, to be nominated by himself, should be appointed as auditor to the company. In the long run the interests of shareholders are likely to suffer where there is an obvious disinclination on the part of a board of directors to accept the appointment of any specified firm as auditors. But although no doubt directors, like other shareholders, are entitled to have a voice in the appointment of auditors of the company, and although they are equally entitled, if they think fit, to demand a poll, we may perhaps be allowed to point out that such an attitude is not usual upon the part of directors, and is one hardly calculated to enhance their dignity.

In the case of a purely family company there is often much to be said, on the score of convenience, in favour of appointing as auditor a person whose only disqualification is that he may happen to be related to, or in partnership with, some member of the board. But in the case of any company where the shareholders are not all personally known to each other, whether or not that company may be technically a public company, it will, we imagine, be generally admitted that the audit, if it is to command the respect that an audit ought always to receive, must be made by someone quite unconnected with any of the accounting parties. This would be so even if there were no statutory provision with regard to the matter, but Section 21 (3) of the Companies Act, 1900, in clear and unmistakable terms declares that a director or officer of the company shall not be capable of being elected auditor of the company. The section supports, although it does not directly insist upon, the general view that interested parties are unsuitable persons to appoint as auditors; and while, of course, there is no express statutory prohibition of such dual appointments, it would seem impossible to logically justify them, save, as we have already said, in the case of quite small family companies. Indeed it would, we think, be highly desirable that the Council of the Institute should take an opportunity of expressing its dissent from this practice in the same way that it has already expressed its dissent from certain other practices which are in themselves by no means illegal.

Weekly Notes.

A Problem in Company Accounts.

In our last issue a correspondent, signing himself "Inquirer," asks in effect what entries should be made in the books of a new company to record the fact that it has arranged to satisfy a liability by the issue of fully-paid-up shares at some future date. He suggests that in the meantime the personal account of the vendor should be debited, and a "Shares to be Issued Account" credited with the amount of the agreed purchase-price. This would appear to answer the desired purpose, but we question whether it is, strictly speaking, correct to make such an entry at all. The position, as we understand it, is that the vendor has agreed to allow the payment of his account to stand over for the time being, and the facts would, we think, be properly recorded by leaving the amount outstanding as a credit balance on his personal account in the meantime, the item being shown separately upon the liabilities' side of the Balance Sheet, with a note appended mentioning the arrangement entered into between the parties,

Foreign Companies in Japan. The Japanese have evidently no idea of following the lead given to them by the Legislature of this country, which permits all sorts of associations of foreigners to trade here with limited liability without contributing anything to the revenue of this country, or without providing any reasonable security that they will pay the debts that they incur. Article 258 of the Japanese Commercial Code provides that a company which sets up a principal office in Japan, or makes it its principal object to do business in Japan, must, even though it is formed as a foreign company, comply with the same provisions as though it were formed in Japan, and a company, whose head office is at Hong Kong, has recently been prosecuted and fined for non-compliance with this regulation. It is to be regretted that the time still seems to be far distant when our own Legislature may think it desirable to take some similar steps for the protection of commerce and investors in this country.

Warrington Corporation Accounts. In our Correspondence column this week we insert a letter from Mr. John Fairhurst commenting upon the Weekly Note which appeared under this heading on the 18th ult. We are glad that advantage has been taken of the opportunity occasioned by our comment to explain the circumstances under which the proposal to appoint a professional auditor was dropped, but at the same time it is, we think, to be regretted that the proposal, once made, should not have been acceded to. If Warrington is in the exceptional position of being able to secure at least one professional accountant as an Elective Auditor, it is certainly to be congratulated, but we do not think that this circumstance altogether obviates the need for a professional audit. The powers of Elective Auditors are limited by statute, and are far too restricted to enable even a competent person to perform a satisfactory audit. Moreover, it is, we think, not in reason to expect all the advantages of a paid professional audit from an auditor who receives no remuneration.

The Valuation of Stock. "Vigilant" inquires in our last issue as to the general view amongst the profession as to the desirability or otherwise of deducting the cash discount from valuations of stock-in-trade. The question, it may be remembered, was raised incidentally in the course of the case of *The Irish Woollen Company, Lim. v. Tyson & Others*, to the reports of which our correspondent may be referred. Although nothing very definite was absolutely decided, the evidence then put forward supported the impression that there is no absolute necessity to deduct cash discount, although no objection could be made to such a deduction, and this, we think, will be regarded as the general opinion. Cash discounts are, we think, usually regarded as a counting-house profit rather than a trading profit, and if this view be consistently followed up, it necessitates the valuation of unsold stock at the cost price before deducting such discounts.

A Definition of Capital. Our readers will be interested in the communication from Mr. Gérard van de Linde, F.C.A., which we were able to reproduce in our Correspondence column last week, although we venture to think that they will not all agree with him that the examination candidate referred to had grasped the general idea of what capital is. In comparing the capital of a firm or an individual to the coal of a steam engine, the candidate was describing it as something which must of necessity be consumed in the process of producing a desired result, which is certainly not the normal course of events in connection with capital.

Accounts and Statistics. Our correspondent Mr. S. Hoofien, whose letter we reproduced last week, will find an interesting lecture on "Comments on Commercial Statistics" by the late C. R. Trevor in *The Accountant* (XIII., pp. 289 and 302), also a suggestive paper on "Useful Work for Students' Leisure Hours and on Statistics Generally," by Mr. T. A. Welton, F.C.A., in *The Accountant* (XXII., p. 999). There does not appear to be any very systematic literature upon the subject in existence, but the chapter on Periodica Returns in Dicksee's "Advanced Accounting" deals with the subject of Statistical Returns, and the employment of charts and diagrams in connection therewith.

Income Tax Statistics. In reply to a question put to the Chancellor of the Exchequer a short time since it was stated that, from the information obtained through claims for abatement of income-tax, it had been estimated that the aggregate amount of incomes exceeding £160 and not exceeding £700 per annum was approximately £275,000,000. No similar data is, of course, at present available in respect of incomes between £700 and £2,000 per annum, but it was thought at Somerset House that the aggregate

amount of these might perhaps be guessed at about £150,000,000. It will be of interest to compare this guess with the ascertained figures available in twelve months' time.

American Railroads. In this country, where every issue of railway capital requires the sanction of Parliament, which looks also to the destined use of that capital, it is, perhaps pardonably, difficult to understand with any degree of clarity the many points which the problem of American railroads presents, and the numerous obstacles which beset the path of reform. The recent Presidential speech, remarkable chiefly for the support which it gave to the "advance" reports, is more comprehensible if it be remembered that the limits of the United States constitution involve the crux of the question. Democratic opinion is jealous to bitterness of State control, and it is only as regards Inter-State transactions that the Federal Congress is allowed to put a finger in the pie. Corporations operating in any particular State are not usually under any grave disability, for their domestic arrangements are regulated by the Charter granted by that particular State, but railroads are essentially Multi-State, or "Inter-State," if the word be preferred, and therefore it seems probable that in the end the Government, speaking temporarily, or Congress speaking permanently, will secure control so far as transactions outside the chartering State are concerned. This control is sought to be exercised in three main directions:—

(1) No capital issues without Governmental consent.

(2) All capital subscribed to be legitimately invested in the property.

(3) No purchase by an Inter-State railroad of any stock in another railroad, without Governmental consent.

President Roosevelt's recent delivery, although it seems to have been sobered down to meet the tender susceptibilities of Wall Street, appears to follow these channels, and his reference to a valuation of railroads on the two-foot rule principle may be politely ignored. If reform does run on the lines indicated there does not appear to be any very great cause for anxiety on the part of investors; and, in any event, such disastrous events as might follow a course of hygiene of this nature are not likely to be one-half so mischievous as a continuance of the present system.

Mr. Asquith and His Questioners. The Chancellor of the Exchequer appears to be having quite a busy time, for hardly a day goes by but some watchful member of the House is a seeker after truth, as politicians understand it. We have had Mr. J. L. Lucas directing Mr. Asquith's attention to the fact that "one of the leading firms of Paris drapers" had opened a picture gallery in the West-end of London for the retailing of their goods during the busy season in direct competition with London shopkeepers, and unhandicapped by the tender attentions of the Inland Revenue authorities. Then Mr. B. S. Straus asked whether, seeing that only £1,876,069 14s. 7d. nominal value of 2½ per cent. consols were purchased by the Government during the year ended 13th May 1907 for redemption purposes, the Chancellor of the Exchequer would consider the desirability of using a much larger proportion of the amount set aside for the reduction of debt this year for purchasing Consols owing to the present low value. Mr. Asquith replied to the effect that any tying of his hands in this direction would be against public interest, but in selecting securities to which the Sinking Fund could be applied he would be very careful to consider on each occasion the price at which they could be purchased. Lastly, Mr. Fell asked whether, in view of the fact that a list of representative bankers' securities now show a depreciation in value since January 1st 1906 of more than the entire cost to us of the Transvaal War, and having regard to the general uneasiness felt by investors, the Chancellor of the Exchequer will consider the question of applying a larger portion of the Sinking Fund to the purchase of Consols than he did in the past year. Mr. Asquith's answer may be expected to be mainly on the lines of his reply to Mr. B. S. Straus.

A Would-be Incorporated Accountant. A very interesting letter has appeared in *The Financial Times*, in which the writer, whose name is not disclosed, after quoting Mr. W. G. Rayner, in his recent speech as President of the Society of Accountants and Auditors, points out that one main cause of the formation of unauthorised associations in connection with the accountancy profession is the many restrictions set up by the Society and the Institute. It is then said that membership of the Society is more or less confined to accountants holding "municipal or similar positions," and that an accountant to a business firm o a company is excluded. Our contemporary's corre spondent complains that although he "holds the

"highest certificates from various public institutions, "gained by examination," is a member of the Chartered Institute of Secretaries, and admissible to the examinations of the Institute of Actuaries, he is not allowed to sit for the Society's examinations, and he appeals to Mr. Rayner to "widen" the "bounds," so that he may be no longer excluded. He makes a point that he has carefully kept clear of the numerous outside associations which would be glad of his membership.

Income Tax. Mr. T. Hallett Fry, in his latest income-tax article, is very despondent over the abolition of Section 133 and the returns which employers of all kinds are to render regarding their staffs. Where, through wilful suppression, ignorance, or accident, incorrect returns have previously been made, the new powers of the Inland Revenue authorities will work dire havoc. The fines and penalties are, as will be remembered, to be recoverable for a period of three years, and Mr. Hallett Fry interprets this as follows:—

> If false returns have been made during three consecutive years, then penalties may be recovered for each of the years, and, in addition, treble duty for each of the years. Translated into simple language, it is equivalent (if we assume the profit of all the years to be the same) to the recovery of no less than nine years' back tax instead of three, as at present.

Colonial Companies and Income Tax. At the recent annual meeting of the Rand Mines (a Transvaal registered company) the chairman reported that after prolonged negotiations the subject of the amount of income-tax to be paid to the Inland Revenue authorities here has been settled by compromise. It seems that the company is to pay the tax on profits made in this country, either through shares sold or interest earned here, subject to a refund still to be adjusted of the tax deducted from dividends paid to shareholders resident in Great Britain. *The Financial News*, from whose report we quote, remarks that four years ago the income-tax authorities sought to assess the company upon the whole of its profits, and one might wonder at the expenditure on ink and paper, to say nothing of salaries, which has gone to convince the officials of their own "blundering."

Bankruptcy Law Amendment Committee. The thirty-eighth meeting of the Bankruptcy Law Amendment Committee was held May 30th at the Royal Courts of Justice, Mr. Muir Mackenzie (the chairman) presiding. Evidence was given by Mr. T. H. Winder, the Official Receiver in Bankruptcy for the district of the County Court at Bolton, and Mr. C. E. Harrop, of the firm of Messrs. Sam Harrop and Sons, Lim., provision dealers, of Manchester; the former of whom gave the Committee the benefit of his experience in the administration of the Bankruptcy Acts since 1884, and the latter of whom dealt with cases which arose in the wholesale provision trade.

The Gold Reserve. *The Economist* gives a rather belated but characteristically conservative contribution to the gold reserve discussion by suggesting that all sums transferred out of profits to reserve, or to the writing down of premises or other assets, should be utilised in the purchase of gold. It is estimated that a million sterling per annum would be available in this way, and, of course, if the scheme were adopted, a few years would add considerably to the strength of the country's gold reserve. *The Financial Times'* "Banking Notes" points out a difficulty, however, which lies in the direction of the number of small items involved, for as fifty banks are included in *The Economist's* million sterling, each individual contribution would be about £20,000, and it is said to be hardly conceivable that banks would buy this amount of gold individually. It is thought, therefore, that some method of organised action would have to be adopted before the suggestion became workable and practicable.

New Companies' Bill—Audit Clause. An "Ex-auditor," writing to *The Times*, says:—

> "I venture to call atention to a requirement accepted by the Government, and slipped into the 21st Clause (Auditors and Balance Sheet) of the new Companies Bill during its passage through the House of Lords, under which, should the Bill become law, 'one at least of the auditors in the case of every 'company whose authorised capital amounts to £50,000 'shall be a person who publicly carries on the business 'of an accountant.' It is not clear whether this requirement was introduced for the benefit of shareholders in public companies or in the interests of professional accountants. If for the benefit of the former, I might point to many companies in which shareholders prefer that their interests should be in the hands of capable business men who are their co-partners, rather than that they should be entrusted to the clerks of busy professional accountants who put their names to the deliverances of their clerks; and I apprehend that, *inter alia*, the disclosures in the case of the Whitaker Wright group of companies will not tend to induce the shareholders in

question to change their views in the foregoing particular. If, on the other hand, the requirement is for the benefit of persons 'who publicly carry on the business of accountants,' then I submit that, if such are to have special rights and privileges under the law, they should be duly licensed, as in the case of solicitors and auctioneers. No doubt, when the Bill reaches the House of Commons, the foregoing proposed change, as well as others, will receive full consideration; but, in any event, it is to be hoped that this 21st Clause will be so amended as to contain a proviso that existing auditors shall be eligible for re-election if shareholders think fit, and not be thrust aside in favour of gentlemen 'who publicly carry on the business of accountants.'"

In the first place the portion of Clause 21 against which complaint seems to be made was not "slipped"—it was duly carried as an amendment. There are, it is true, certain shareholders who, while they would not go to a gardener for medical advice, do not hesitate to employ lay auditors instead of qualified experts, but this curious trait is not likely to become common, As to the cheap sneer at "busy professional accountants" they, at any rate, take the responsibility for the efficiency, or otherwise, of their staffs, and the result would be much the same if the idealistic "one man one job" became imperative. Most of those persons who publicly carry on the business of accountants *are* "duly licensed," inasmuch as their qualifications and training can be discovered in five minutes, and so far as the investing public is concerned there does not appear to be any evidence of panic in connection with the point. "Ex-auditor" is evidently one who views the loss of amateur-auditorships with dismay, and it is not difficult to conceive that his case would have been all the better had it not been for the special pleading which is so very thinly veiled.

Lay Financiers. A financial daily points out, with appropriate chuckles, that a contemporary sought to show how far Consols stand above the funds of other countries when these latter are reduced to a 2½ per cent. basis. In the course of the exposition it appears that Italian "Fives" are written down to 51¼, oblivious of the fact that owing to the 20 per cent. tax they are actually only Four per Cents! This carelessness is said to be "a little hard on the credit of a friendly nation."

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Breweries and Income Tax—The Compensation Charge.

(*To the Editor of The Accountant.*)

SIR,—With reference to Mr. Hill's letter in your issue of 18th inst., if the amount of the compensation levy is allowed in the account for assessment, Schedule D, will not the Inland Revenue demand that any sums received out of the Compensation Fund be brought in on the credit side, and tax be paid upon the same?

Yours truly,

29th May 1907. EMOCNIXAT.

(*To the Editor of The Accountant.*)

SIR,—With reference to Mr. Hill's letter of the 18th ult., I have been connected with the case of a local brewery which was not allowed to deduct the compensation fund charges (I take it that this is the description of the charges Mr. Hill infers) from the accounts for assessment under Schedule D, by the local Surveyor. We appealed, and the Special Commissioners confirmed the local Surveyor's decision; they stated that as the houses were let to tenants they were separate businesses, and therefore could not be allowed, but if the houses were under management they were treated as branches, and the charges would be allowed.

Does Mr. Hill's case refer to houses under management?

Yours truly,

Wakefield, 4th June 1907. A. FIELDING.

Warrington Corporation Accounts.

(*To the Editor of The Accountant.*)

SIR,—My attention has been called to one of the leaderettes in your issue of the 18th inst., under the heading of "Warrington Corporation Accounts."

After stating that the rates of the borough had been reduced 4d. in the £ you infer that this reduction has to some extent been brought about by some means which will not bear the scrutiny of a professional audit, and therefore the proposal to appoint a professional auditor was withdrawn. This insinuation I entirely refute, and have no hesitation in stating that the accounts of the Warrington Corporation will bear the strictest investigation of any professional auditor. In support of this I refer you to two of your members, Alderman Arthur Bennett, who is Vice-Chairman of the Finance Committee, and Mr. Edwin Bradshaw, both of whom have acted as auditors on many occasions.

The reason for the refusal of the Council to the appointment of a professional auditor was that for the last thirty years one or other of the auditors has invariably been either a member of the Institute of Chartered Accountants or a member of the Society of Accountants and Auditors, and the Council considered the audit satisfactory.

I think, in fairness to me, it would have been far better to have ascertained the facts before writing such a criticism.

Yours faithfully,

JNO. FAIRHURST.

Warrington, 30th May 1907.

[*Vide* our Weekly Note in this issue.—Ed. *Acct.*]

Finance Bill, 1907.

(*To the Editor of the Accountant.*)

Sir,—I notice that the contemplated repeal of Section 133 of the Income Tax Act, 1842, has been regarded mainly in its relation to the Average System. Your contributor who writes an article in your last issue has confined his attention to this aspect of the question. But there is another aspect. The section which it is proposed to repeal has been found extremely useful to those persons who, owing to primitive methods of accounting, have had no real idea as to what their profits amount to, and have allowed themselves to be assessed by the Income Tax Authorities on a mere basis of guess-work. Finding that the assessors have, from time to time, increased their assessments they have decided to reform their ways and to have proper accounts prepared. The result of preparing such accounts has sometimes been found to reveal the fact that income-tax has been overpaid, and under the 133rd Section they have been enabled to recover the difference between the amount of tax paid and the amount of tax that would have been levied either on the actual profits of the year or on the average of the preceding three years, whichever amount is the larger. It may, of course, be urged that persons who do not keep proper books of account are entitled to no consideration. On the other hand, however, it must be remembered that such persons are the majority of our small traders, and that any inducement which can be offered to them to reform their ways is in the interests of the commercial world at large.

Yours faithfully,

London, 3rd June, 1907. CYRIL COX.

Depreciation, with Special Reference to the Accounts of Local Authorities.

(*To the Editor of the Accountant.*)

Sir,—In your last week's interesting leader on the above subject you touch slightly on a matter which presumably is one of policy and not of accountancy—viz., the provision, in addition to the statutory Sinking Fund for redemption of debt, of another fund sufficient to renew as and when necessary the whole of the assets of a municipal trading department, thus avoiding the necessity for reborrowing.

To maintain the *status quo* (a state of permanent indebtedness) it is, of course, imperative that the statutory Sinking Fund shall be supplemented so as to allow of the repayment of debt within the actual life of the various assets instead of within their equated life. But is there any violation of principle—accountancy or otherwise—if this only and no more be done, and it is in consequence necessary to re-borrow for renewals.

If there is no violation of principle I take it that, until the Legislature imposes the double obligation of providing for redemption of debt and for renewals, all that can be expected from municipalities is a frank admission of the permanency of the indebtedness on Capital Account.

Your views on these points will be esteemed by the writer (who is in the municipal service), and no doubt by other readers, judging from the wide interest aroused by Professor Dicksee's lecture.

Yours truly,

INCORPORATED ACCOUNTANT.

3rd June 1907.

Compensation Charges and Income Tax.

(To the Editor of the Accountant.)

SIR,—As I have received so many letters, please allow me to reply through your journal. One case was heard at the Sessions House, Newington Causeway, Surrey, and the other at Red Lion Square, Middlesex. There was no question as to the charge being allowed in respect of houses under management, but the Commissioners were convinced that in all cases the compensation levied under the Act of 1904 is a trade expense, and overrides the old Income-tax Acts, and this is not contrary to, but rather supported by, the decisions in *Watney v. Musgrave*, *Brickwood v. Reynolds*, *Hancock v. Gillard*, *Reid v. Male*. Attention was specially directed to Section 3, Sub-section 2.

Yours faithfully,

London, 3rd June 1907. DANIEL HILL.

Secret Reserves.

To the Editor of The Accountant.

SIR,—I should be glad if some of your readers could give me an opinion on the following question, which has come before me in the course of my business.

I am auditor to a company, and on the accounts for the past year being placed before me I find that the directors have charged to Revenue Account a large number of items of considerable amount which should be rightly treated as capital expenditure. I having pointed this out to the directors they still insist on adopting this course; can I in this case give a clear certificate to my Balance Sheet, or should the matter be specially pointed out to the shareholders?

The position appears to be a somewhat extraordinary one, as the difficulty that auditors generally have to deal with is to get sufficient depreciation, not to contest an excess of same.

Yours faithfully,

4th June 1907. ANXIOUS.

[The auditor is entitled to report the facts to the shareholders, but see *Newton v. Birmingham Small Arms Company, Lim.*, A.L.R. XXXV., p. 3.—ED. *Acct.*]

Bankruptcy Procedure.

(To the Editor of The Accountant.)

SIR,—I observe in your issue of May 18th a notice ı lecture by Mr. Mackworth Lucas, read before the itute of Bookkeepers, upon "The Elements of Bankruptcy Procedure." Mr. Lucas advocated a deed of arrangement in certain cases in preference to making the debtor a bankrupt, and thought that the raising of fees in connection with the presentation of a bankruptcy petition would further this end; he also urged the amendment of the Deed of Arrangements Act, 1887, so as to bind the minority to the wishes of the majority.

Your critic is rather sarcastic as to Mr. Lucas's remarks, possibly because the press account of the lecture, owing to its brevity, is rather misleading. I think, however, that he has unintentionally confused the two suggestions by the lecturer quoted above; they were quite separate statements. And with regard to the Deed of Arrangements Act, 1887, the Master of the Rolls seems to share Mr. Lucas's view that the Act requires some amendment (*vide In re Saumarez; ex parte Salaman*, Weekly Notes, May 4th, p. 109).

Yours faithfully,

F. PORTER FAUSSET.

London, June 4th 1907.

The Institute of Chartered Accountants in England and Wales.

AT a special meeting of the Council (adjourned from the 10th April 1907), held on Wednesday, the 5th June 1907, at the Hall of the Institute, Moorgate Place, E.C., there were present:—Mr. W. B. Peat (President) in the chair; Mr. Thomas Bowden (Vice-President), and Messrs. W. Ashworth, John B. Ball, J. W. Barber, J. H. Blackburn, W. Blease, E. M. Carter, Ernest Cooper, Sir John Craggs, Mr. E. Edmonds, Sir Walter Fisher, Messrs. J. Ford, W. H. Fox, John Gane, A. H. Gibson, T. Gregory, J. G. Griffiths, J. E. Halliday, B. W. Hardcastle, J. S. Harmood-Banner, M.P., A. C. Harper, D. Hill, W. C. Jackson, F. A. Jenkins, H. Woodburn Kirby, G. Walter Knox, J. Mather, A. O. Miles, F. W. Pixley, W. Plender, T. G. Shuttleworth, G. Sneath, W. A. Stone, J. M. Wade, T. A. Welton, F. Whinney, T. Wise, and J. W. Woodthorpe.

Mr. William Preston Campbell-Everden, F.C.A., of Suffolk House, Cannon Street, E.C., having been adjudicated bankrupt, was excluded from membership of the Institute.

At the ordinary meeting of the Council, held at the conclusion of the special meeting, Mr. W. B. Peat was re-elected President, and Mr. Thomas Bowden was elected Vice-President.

A vote of thanks was passed to the late Vice-President (Mr. John B. Ball) for his services during the past year.

The Examination Committee reported the following notices for the examinations in May and June, received up to the 7th May 1907:—

Intermediate, 27th and 28 May 1907	183
Final, 29th, 30th, and 31st May 1907.. ..	170
Preliminary, 4th, 5th, and 6th June 1907 ..	192
	545

The Examination Committee also reported that Mr. J. G. Griffiths had offered to place at the disposal of the Council £1,000, Didcot, Newbury, and Southampton Junction Railway (Newbury Section) 5 per cent. Debenture Stock, which was an investment left to him under the will of the late Mrs. Deloitte, with instructions to deal with it as he might think desirable. It is his wish that one-fifth of the income of the investment during five years' service under articles should every year be offered as a prize to the best Preliminary Examination candidate of the year.

The thanks of the Council were tendered to Mr. Griffiths.

The following Committees were appointed for the ensuing year:—

Applications.

Ball, J. B.
Blackburn, J. H.
Bowden, T.
Carter, E. M.
Gordon, J.
Halliday, J. E.
Harper, A. C.
Kirby, H. Woodburn
Litton, J. G.
Shuttleworth, T. G.
Sneath, G.
Wade, J. M.
Woodthorpe, J. W.

Examination.

Ball, J. B.
Barber, J. W.
Bowden, T.
Fox, W. H.
Gane, J.
Gibson, A. H.
Gregory, T.
Halliday, J. E.
Hill, D.
Kirby, H. Woodburn
Knox, G. Walter
Mather, J.
Pixley, F. W.
Plender, W.
Saffery, F. J.
Shuttleworth, T. G.
Wade, J. M.
Young, F. J.

Finance.

Barber, J. W.
Blease, W.
Bowden, T.
Carter, E. M.
Craggs, Sir John
Ford, J.
Gordon, J.
Gregory, T.
Hardcastle, B. W.
Hill, D.
Jenkins, F. A.
Litton, J. G.
Miles, A. O.
Stone, W. A.
Young, F. J.

Investigation.

Ashworth, W.
Blease, W.
Edmonds, E.
Gibson, A. H.
Hardcastle, B. W.
Harmood-Banner, J. S.
Jackson, W. C.
Knox, G. Walter
Miles, A. O.
Pixley, F. W.
Plender, W.
Sneath, G.
Welton, T. A.
Wise, T.

Library and Publication.

Fox, W. H.
Hardcastle, B. W.
Jackson, W. C.
Mather, J.
Pixley, F. W.
Saffery, F. J.
Wise, T.
Woodthorpe, J. W.
Young, F. J.

General Purposes.

The Chairmen of the other Committees, and

Cooper, Ernest
Edmonds, E.
Fisher, Sir Walter
Gane, J.
Griffiths, J. G.
Harper, A. C.
Kirby, H. Woodburn
Knox, G. Walter
Miles, A. O.
Peat, W. B.
Shuttleworth, T. G.
Sneath, G.
Whinney, F.

Parliamentary and Law.

Cooper, Ernest
Craggs, Sir John
Ford, J.
Griffiths, J. G.
Harmood-Banner, J. S.
Kemp, C. F.
Knox, G. Walter
Miles, A. O.
Peat, W. B.
Pixley, F. W.
Waterhouse, E.
Welton, T. A.
Whinney, F.

Students Societies' Grants.

Griffiths, J. G.
Kirby, H. Woodburn
Knox, G. Walter

(President and Vice-President ex-officio members of all Committees.)

The Secretary reported the death of:—

Mr. E. B. Edwards, F.C.A., Manchester.
,, William Duffield, A.C.A., Birmingham.
,, H. S. Linley, A.C.A., London.
,, F. Southey, A.C.A., London.
,, J. Trewren, A.C.A., London.

Birmingham Chartered Accountant Students' Society.

President's Address.

THE twenty-fifth annual general meeting of the Society was held at the Library, 8 Newhall Street, on Tuesday, May 28th 1907, the President, Mr. Walter Charlton, F.C.A., in the chair.

The minutes of the last annual meeting were read, confirmed, and signed.

The report and accounts of the Committee were passed.

The Librarian's report was submitted and adopted.

Votes of thanks were passed to all officers for their services during the past year.

The following gentlemen were elected as officers for the ensuing year:—

President: Mr. J. Howard Heaton, F.C.A.

Vice-Presidents: Mr. Frank Impey, F.C.A., Mr. Arthur Chapman, A.C.A.

Hon. Treasurer: Mr. Allen K. Edwards.

Hon. Librarian: Mr. R. Graham Squiers.

Hon. Secretary: Mr. S. Heald.

Committee: Messrs. J. E. Jordan, A.C.A., C. Braden Allen, A.C.A., C. F. Bristol, P. F Barker, W. E. Rayner, J. H Taylor, H. S. Ward, J. Ellison, B. H. Brigham, G. H. Goldberg, H. V. Heaven, J. C. Pearce.

Representatives on Committee of Working Union of Chartered Accountant Student Societies: Messrs. R. Graham Squiers, Allen K. Edwards, S. Heald.

Hon. Auditors: Mr. T. E. Walker, A.C.A., and Mr. G. E. Harvey, A.C.A.

After the business of the annual meeting was transacted the President delivered his address:—

I suppose that I am by no means the first to feel, upon being placed in the honourable position of President of your Society, that one would greatly like, in recognising the responsibility which attaches to all positions that are objects of ambition and worthy of attainment, to follow a line showing some originality. That responsibility in the case of the President of your Society consists chiefly in the delivery of an address, and no doubt some of my predecessors in office have experienced my own difficulty in choosing a subject which has the charm of novelty. As far as I have been able to trace, however, they have all been agreed that the President's primary duty is to acknowledge the honour conferred by his appointment. I should certainly have needed no guidance in telling you at once how fully I appreciate the privilege you have accorded me of succeeding so many distinguished members of our Institute. In looking through the records of your Society I am reminded that for some years prior to last year your Presidents were chosen from eminent members of our profession outside Birmingham. In this way you have had the advantage of opinions and advice which should have given you broader views of the scope of an accountant's work than might have been the case if the choice had been limited to our own city, as different localities afford experience of, and an insight into, special industries and undertakings which may be peculiar to them. I am glad to find, however, that your practice has reverted to the selection of local Presidents. I would be foremost in appreciation of the able addresses which have been delivered by leading accountants from London and other large centres, but it is well from time to time for Birmingham students to enlist the interest and sympathies of some of their own principals, who undoubtedly have the best means of understanding the conditions which will probably surround those who are now students in their future work.

To return to the question of the choice of a subject for this address, one is at least rewarded for any pains taken in trying to avoid what has been so ably done by others by the discovery of how much has been done, even if the limits were set by the records of your own Society. The papers, lectures, debates, and other forms of treatment appear to cover every department of the varied kinds of work which go to make up an accountancy practice, and one is tempted to urge that no useful addition can be made to the rich mines of information you already possess. It may certainly be claimed that there is scarcely any aspect of experience which has not been dealt with and usefully explained, and that students in these days want for nothing to qualify them for their examinations and fit them for a successful career, if they only care to make the best use of their advantages.

Turning these thoughts over in my mind, I was led to compare the position of accountants, actual and incipient, twenty-five or thirty years ago with that of to-day. At the time I speak of not only were there comparatively few practising accountants, there were no libraries, no lectures, no schemes of tuition, very few publications, no students' societies, and, I might almost add, no students. Certainly articled clerks were the exception, and their position was little better than that of any other clerk who might have worked his way up from the post of office boy. There was no association of accountants in Birmingham, your principals were not usually at any special pains to train you, and most of the information you might possess you picked up as you went along. Then, sooner or later, you began business for yourself, sometimes most inadequately equipped to pose as the all-round professional man a Chartered Accountant ought to be, and no doubt the real sense of personal responsibility was the saving of the situation.

This comparison, which is so much in favour of the present-day student of our profession, set me wondering, not for the first time, whether there is not a defect even in the opportunities and advantages enjoyed by the articled clerk of to-day. I mean that, while he has access freely to sources of information and results of experience which should be invaluable in qualifying him to pass examinations and to do his work intelligently, the necessities of his condition afford him little experience in the *conduct* of a practice.

I am afraid that is a rather paradoxical statement, and it is probably true that a man cannot know quite usefully that which experience alone can teach before he has had experience. I have wondered, however, whether it would not be possible for those who have had the experience to put together a few notes upon it which would be interesting and useful. I do not want to suggest the impossible, but as there are so many things a principal must do himself, and which no clerk can do for him—things which his Diary does not reveal—I feel sure the attempt must be worth making.

It must be obvious that an accountant's work is not wholly comprised in what may be called the mechanical performance of audits, the construction of accounts and statements, or the general ascertaining of results, which may, broadly speaking, be taken to be the larger part of an articled clerk's occupation during the term of his articles. I know this is a rather bald description of what at the end of five years must seem in retrospect an arduous servitude, but anyone who in that time can claim efficiency in these directions, and has come to the conclusion that a certain routine is not applicable to every case, has, in combination with the preparation for and passing of examinations, reached a very important stage in the march towards going into practice for himself. For this efficiency means the capacity to undertake intelligently the audit, investigation, or adjustment of books and accounts in all their varied aspects, and to apply to the work general principles, as well as bringing to it an adaptability to meet special conditions or requirements. It should mean also the ability to devise and improve systems of bookkeeping (which, of course, are not limited to the books of commercial record and results) and of efficient audit, both independent and internal, and to construct all the necessary accounts in that perhaps most fascinating branch, Executorships and Trusts. It may also reasonably include a knowledge of the secretarial side of company management, Cost Accounts, the preparation of accounts for income-tax returns and appeals, and the various matters which often, in the judgment of our clients at least, come within the scope of that most inclusive term "audit." These are some of the things a finished articled clerk may know, but I am rather concerning myself with what he has yet to acquire.

I have known a Chartered Accountant go into practice without the knowledge of how to render a bill when he has done the work. That is one of the things an articled clerk does not usually learn, but fortunately it is an accomplishment that comes naturally to many.

He may be fortunate enough to have had some experience in Winding-up, Receiverships, Liquidations, Bankruptcy, and Deeds of Assignment, but it is likely to be in a clerical capacity, and the really skilled part is necessarily played to a large extent by the man who is receiver, liquidator, or trustee. It is in the dealing with men and affairs, the settlement of policy, devising of schemes, the constant interviews, conferences, attendances, correspondence, and a hundred and one things, that it appears to me is the vital part of an accountant's training. Here is the defect I have alluded to, and the remedy should not be entirely left to time and experience in actual practice, although therein will be found the greater part of it, for, even if clients may sometimes suffer, we learn so much by our difficulties—and failures!

The moral I am anxious to bring home to you is this: An articled clerk should not be too eager to "start for himself" immediately he has passed, even brilliantly, his Final Examination. He may have all the proficiency I have endeavoured to indicate, and which may certainly be legitimately expected, but his all-round fitness will not be so apparent. He will be wiser to take a further term of preparation of the higher order in an office calculated to afford him opportunities of qualifying himself in a position of greater responsibility and possibilities. It will not necessarily be the office in which he served his articles.

Perhaps some day a writer will be found courageous enough to write a "Biography of a Chartered Accountant's Practice"; it is a tempting idea, and one that an able pen might make fascinating reading for student and practitioner alike. Imagine how a perusal of one's time charges from the early "days of small things," which we are taught not to despise, would awake the memory. I hope we should find that in those far-off times, when we kept our own books, copied our own letters, and dusted our own office, that we did all those things and everything else very thoroughly and neatly. How clearly we should remember our first, or nearly our first, client, who, after he made the fatal mistake a few years later of dispensing with our services from motives of economy, got into trouble with the police and committed suicide! Or that other one who blamed us for having in trustful simplicity deposited disputed funds in the joint names of ourselves and the other party's solicitor. With what satisfaction we should recall the first really big client we secured, and how soon that led on to another appointment, and then we thought we were really made. How interesting then to trace the way in which one thing had led to another, until our practice was a big enough snowball to roll and grow almost of itself, but never without unremitting labour and anxiety, though not of an overmastering kind. Of course, there would be losses to be reminded of, and it would seem strange to look back to the time when we thought, "If I lost So-and-so's work, however should I get on?" And yet when we did lose it, of course through no fault of our own, this indispensable client was somehow replaced over and over again. And what a record those same "Time Charges" are of other people's businesses—this one is now wound up, that we formed into a company, another has doubled or trebled, and others are as small as ever or gradually decaying. But I must leave the alluring possibilities of this idea for someone else to develop, with the suggestion that the title "Clients I have known" affords scope for interesting reflections on that side of human nature which is so freely exposed to the confidential professional accountant. It is, of course, an idea that would want to be handled with some discretion.

There is one subject on which I shall venture to give advice to those of all ages preparing for practice—it is not new, but is worth repeating, and should in my opinion never be forgotten or neglected. It is what I regard as the obligation upon every one, and particularly on Chartered Accountants, of some form of voluntary public or social service. I say particularly on our profession, because I am firmly convinced of our power of usefulness in the way of system, method—regularising and recording public and social affairs. I have spoken of it as an obligation, but such work has also resulting advantages to oneself in the widening of one's experience of men and things, the development of one's sympathies, and the addition it makes to the interests of daily life and occupation. Nor does it detract from the value of such work if one of the results be an increase in one's professional engagements. I have known that to be the case! All workers must live; the need is the same, however high the walk in life, and the increased means of living brings greater power for useful service. The varying of your vocation by doing something for nothing is a reward in itself; it increases your sense of responsibility and of the trust of others; it brings you into honourable relation with the best of all classes, and it enlarges your circle of potential clients.

If I may be allowed to refer to the interesting address delivered to you last year by my immediate predecessor, Mr. Eric Carter, it is with the object of saying a word of encouragement. Mr. Carter seemed to be in doubt as to whether Chartered Accountants had "come to stay," basing his question on the "almost mushroom growth" of the profession. It is true he expressly disclaimed any discouraging intention in his remarks as to the doubtful permanence and necessity of our calling, but I think a more hopeful "outlook of accountancy" than Mr. Carter ventured to entertain may be inferred from the address itself. The phenomenal growth of the profession, as shown by the records of our Institute is, to my mind, conclusive evidence of our necessity to the commercial and business community. It is a proof that the organisation of the profession, resulting in the systematic training of its recruits, has met a real need of the largely increasing business undertakings of our country, and that the Chartered Accountant has a recognised position and is now indispensable to modern affairs. I cannot believe that officialism will ever replace the independent and skilled specialist in all matters of account, and, even if official auditors should be substituted for professional auditors in the accounts of companies, the work will still have to be done and men will be necessary to do it. I hold that there is always plenty of work for those who have the skill and the will to do it faithfully, and that we may regard the "outlook of accountancy" with the greatest confidence. The permanence and greater dignity of our profession needs only the seal of legalisation for its completion, and I hope we may look forward to that becoming an accomplished fact.

In conclusion, I am afraid this paper has not developed in a manner that makes it worthy of a definite title. It has become more of a desultory talk, but it will not have altogether failed its purpose if I have suggested any subjects for thought and inquiry, or have said anything which will be helpful in the useful and honourable career which I feel sure is open to you all.

Chartered Accountants Students' Society of Kingston-upon-Hull.

Ten Minute Papers.

At a meeting of the above, held on the 21st November 1906, the following gentlemen read "ten minute" papers: Mr. C. L. O. Cleminson, "Goodwill"; Mr. P. Davie, "A Few Words on Fire Insurance"; Mr. A. M. Campbell, "Actuarial Science and its use to the Accountant"; Mr. A. W. Retchford was in the chair.

Goodwill.

By C. L. O. Cleminson.

"Goodwill," the subject of this paper, is familiar to all present here to-night, and we no doubt all know in our own mind what is meant by the word; though it is not easy to find a good definition of what it really is. I might say it is almost impossible to find a concise one which will be sufficiently comprehensive. One of the best, I think, is that of Story, the American jurist, which is as follows:—

> "The advantage or benefit which is acquired by an establishment beyond the mere value of the capital, stock, funds, or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant and habitual customers on account of its local position or common celebrity, or reputation for skill, or affluence, or punctuality, or from any other accidental circumstances and necessities, or even from partialities or prejudices."

Such a definition as Lord Eldon's, which is very well known—

> "That Goodwill is nothing more than the probability that the old customers will resort to the old place,"

is much too restricted. It applied well enough to the case then under discussion—that of a country wagoner—but

could not possibly apply in the case of a profession, where the Goodwill is built up entirely upon the personal reputation of the practitioner; and in the case of trade, where the name is the foundation of the Goodwill, and not position.

Goodwill is legal property, and as such is liable for stamp duty on agreements for sale. In executorship matters it may be either realty or personalty, according to the circumstances of any particular case. For instance, if the deceased were partner in a business, the Goodwill, whether it is attached to the premises in which the business is carried on, or is personal Goodwill, it is personal property, as part of the assets of the firm. If, on the other hand, the deceased had owned property (such as a public-house where the Goodwill is essentially attached to such property and cannot be sold apart from it), it would be realty. A case has been decided on this point, that of *Booth v. Curtis* (17 W.R. 393); a public-house held by an intestate as freehold was sold, and the portion representing Goodwill, it was declared, must pass to the heir-at-law.

To form an estimate of the value of Goodwill no definite rule can be followed, as there are never two businesses exactly alike. There are many things which must be taken into consideration in every case to be considered. We may, however, discuss a few of the main principles to be observed. It is the general rule to base the value on an agreed number of years' purchase of the average profits for the previous three or four or even more years. That alone is not sufficient. The capital necessary to carry on the business must be taken into consideration. A concern in which a large capital is needed is not worth nearly so much as one that can be worked on a small capital giving the same return of net profit, other things being equal. Cost of management must not be neglected. A man who proposes to buy the Goodwill of a business is buying the means of making more than he could earn by his own work, and the investment of his capital. Something, therefore, should be deducted from profits to represent the wages of the proprietor for such time as he spent in management. In the case of a company, before anything is available for dividend, the management expenses have to be paid in the form of directors' fees. As a rule more can be got from a company for Goodwill, as their liability is limited, whereas a private purchaser is risking his whole fortune in the event of the business not keeping up to its former standard. Profit is not always the basis of valuation. In some cases it is calculated on the quantities sold, as in the case of a proprietory article. It is even in some cases based upon the purchases, as in the case of a public-house.

These methods are very rare, and are becoming even more so than ever.

The position of the seller should not be lost sight of. That is to say, whether he is selling willingly or under compulsion, and as to whether he will contract not to set up a business in opposition to the purchaser. This is a very important point, as the fact of any man selling the Goodwill of his business does not take away his right to open another business of the same kind in the same neighbourhood—provided he does not solicit the custom of the old firm, or give the public the impression he is carrying on the old business or in any way connected therewith.

After a business has been taken over by a company the question often arises, "Should the Goodwill be written down out of profits?" It is quite possible to answer this in the negative, though, of course, there cannot be any doubt that if a reserve is created to provide for wiping it out a company must of necessity be in a much more sound financial position than otherwise. It is a very different thing to the provision for depreciation of plant, which is necessary for the continuance of the business. A time is bound to come, sooner or later, when the plant will be worn out and useless, and must be replaced. A fund must, therefore, be raised to provide for this. On the other hand, Goodwill, when once acquired (so long as the profits are maintained), cannot possibly decrease in its value, but would rather increase.

The case of *Lewis v. Allenby, Lim.*: The company had, together with other assets, taken over the stock at between £60,000 or £70,000. It was found afterwards that a portion of this stock was not up to date, and it was consequently sold off at a loss of £15,209. It was stated that this los was made before the company began operations, and was therefore a capital loss, and should be added to the Goodwill. I must say I cannot agree with this decision. The stock was bought with a view to subsequent sale, and the directors would, no doubt, have every opportunity to satisfy themselves as to the true worth of such stock, and the fact of their having bought from the old firm and not in the ordinary market cannot make any difference as to whether the loss was a trading loss or a capital loss. Had no specified amount been mentioned for the stock, but just taken over with the other assets, including Goodwill, for a lump sum, then after the assets had been valued the balance might be taken to represent the amount of Goodwill.

A Few Words on "Fire Insurance."

By P. Davie.

Mr. Chairman and Gentlemen,—I suppose it is unnecessary for me to mention that the preparation of a ten minutes paper for the meeting this evening was left until practically the last minute. I must not, therefore, be expected to be guilty of any "literary effort." I ask that the arrangement of the remarks be excused; also that those to whom the matter may seem elementary will bear with me. I may say that I had proceeded with the preparation

of a paper upon another subject when I casually learned that a paper had already been promised upon the subject of my choice. I do not propose to expose the member in question, but will content myself by saying that "he must not do it again."

Now, the word "insurance," to my mind, seems to suggest a "self-protection." The manner of the squirrel's provision for the winter months is an insurance; the immunity from danger which many animals possess by reason of the fact that they can make themselves practically invisible on the approach of an enemy—that is an insurance. But these are what I term "natural insurances." Humanity in general is practically destitute of "natural insurances," and thus it is necessary for us to fill the gap by the provision of our own forms of insurance. To-night I propose to just confine my remarks to "fire insurance."

The first question we might ask ourselves is, "What is a fire insurance policy?" I will define it as "a simple contract in writing setting forth that for a consideration of "money—which is called the 'premium'—the insurance "company (called the 'assurers' or 'insurers') indemnifies "the person effecting the insurance (called the 'assured' or "'insured') against loss or damage by fire under conditions "either express or implied."

The necessity for provision against loss by fire was not so apparent to the community until after the Great Fire in London in the seventeenth century, which aroused the people to a realisation of the risks they were taking. It was in the year 1680 that the first corporation for insurance against fire was formed. This year heralded the formation of many similar associations. At this period, however, the policies which were issued were only for the purpose of covering partial loss. Whilst "a building might be covered the contents were uninsurable." The authorities fully appreciated that by pursuing this course every inducement was held out to a freeholder to avoid damage by fire, seeing that he was only protected for the value of his building, and would thus be a heavy loser were the contents of the building to be damaged or destroyed. The idea in the minds of insurance officials at this period was that they would secure themselves against hazard by a general "under-insurance" Subsequently insurance was extended so as to cover goods and contents of warehouses, &c., and in 1774 an Act was passed by Parliament setting forth that a policy of insurance for fire was a contract of indemnity, and that only the value of the actual damage sustained could be recovered, the onus of proof being on the assured. There was now, therefore, no necessity for the insurance companies to adhere to their principle of "under-insuring." In the case of business premises it was recognised that the assured would take every possible precaution against fire, because the loss through disturbance of business would—in case of fire—be considerable.

I am afraid that a number of persons who insure have the idea that the ordinary policy is a contract for the payment of a certain total sum in case of fire, but it is not so; it is only a contract to pay the actual damage to the property insured, not exceeding the specified sum. The idea is also prevalent that on the happening of damage or total loss the insurance company will pay the amount demanded without a murmur, but this is not so. The assured will have to provide the insurance company with satisfactory evidence of the value of the property damaged or destroyed. By the word "value" I mean the "market value." Some insurers would not doubt be very happy if they were allowed to claim for the "sentimental" value of the—I might here say "articles"—damaged or lost, but the insurance company regard this from the standpoint that if property is valuable from a "sentimental" point of view it is an incentive for the insurer to take greater precaution, having regard to the fact that he is only able to recover the market value.

A policy will not be issued unless the person desiring to effect the insurance has what is called "an insurable interest." This provision is necessary in order to prevent the business of insurance being converted into gaming speculations. I may here say that the tendency of all insurance legislation is to prohibit any man making a profit out of the happening of a fire, and to limit the recoverable amount to the value of the actual damage done.

Another matter which is exceedingly important—but which I am afraid is very often neglected—is the careful perusal of the conditions upon which the policy is issued. I sometimes think that this laxity arises out of the fact that the major portion of the conditions is usually printed, whereas if the policy was wholly a written document I think the conditions would be viewed more in the light of the essence of the contract, and thus receive the consideration which, to my mind, they demand. It is perhaps superfluous on my part to say that this general neglect may be the cause of a policy becoming voidable. The same spirit of laxity pervades the atmosphere very often when other interests are concerned. If there is only oneself concerned in the matter, one deserves to be the loser for such negligence; but when other interests are at stake, the omission to make oneself acquainted with the conditions becomes very grave.

Now the first step towards effecting an insurance against fire is to complete a proposal form. The chief thing to bear in mind in connection with this proposal form is the fact that the particulars contained therein are to form the basis of the insurance, and any material omission or error in the particulars supplied would give the insurance company a loophole for the repudiation of liability in case

of loss. It is therefore very necessary that the prospective insured should be frank in his statement.

The next matter requiring attention in connection with an insurance policy against fire is the name, address, and description of the parties interested in the subject of the insurance. It is essential that all the interests should be clearly stated, as, in the case of property given as security for money advanced, the name of Mr. Smith as owner and Mr. Brown as mortgagee would appear. If there is a change in the persons interested in the policy the matter is put in order by an endorsement; it is only when the amount of the insurance is varied that it becomes necessary to have a new policy prepared. In the case of goods held on the hire-purchase system, consideration must be given to the interest of the vendor and the interests clearly stated on the face of the policy. In the case of an executor, or a trustee, it is as well to have the capacity in which one is interested mentioned, but this is not absolutely necessary.

It is very important that an accurate description of the business carried on should be set out. If a person is described as a draper, and carries on any other business not mentioned in the policy, then and in such case only the goods relating to the drapery business would be covered by the policy. Care should be taken to see that goods which are held on trust are specially mentioned in the policy, if it is the desire that the insurance should be extended to them. This, however, only relates to goods which the holder is liable to replace in case of loss. I may here mention that it is sometimes advisable to take out a floating policy to cover goods in transit or course of removal.

It is necessary that such items as china, mirrors, jewels, paintings, curios, manuscripts, &c. &c., be specially mentioned in the policy if it is intended that they should come within the scope of the policy. Securities for money, books of account, &c., must also be specially mentioned in the body of the policy.

Plant and machinery should be adequately defined, as it does not come under the general definition of fixtures. Patterns and models are also items uninsured, unless specially mentioned. Horses and carts should be separately insured and their situation described.

There are frequently warranties, or special conditions, in connection with fire insurance policies, more especially with regard to the heating arrangements. It must be remembered that these warranties must be strictly complied with, otherwise it is within the power of the insurance company to repudiate liability. I am afraid the fact that the outbreak was in no way attributable to the violation of a warranty would not have any weight. I may here mention how important it is to immediately notify the insurance company of any alteration in the heating arrangements, or any structural alterations, and especially any alteration whereby communication is established between one building and another.

Where a tenant is liable for rent, even if the premises be destroyed, he very often insures such rent for a certain period, say, six or twelve months, and probably local rates. The fact, however, that a person is the owner of the premises does not debar him from insuring against loss of rent, but it should be stated whether the item is for rent *payable* or the *value* of the rent.

Loss of trading profits, &c., comes under the heading of "Consequential loss," and although it is connected with fire insurance it is dealt with by a separate and distinct kind of policy. The matter will, therefore, not come within the scope of these few remarks.

An addition of "Subject to average" is sometimes attached to the issue of a policy. The meaning of this condition, which is found usually where stocks, &c., are likely to fluctuate in quantity from day to day, is usually explained, but it is doubtful if it is thoroughly appreciated by the average insurer. The idea is that if at the outbreak of a fire the total value of the property insured "subject to average" is greater than the amount of the said insurance, then and in such case the insured is presumed to be his own insurer for the addition, and bears his proportion of the loss accordingly, *e.g.*, if property of the value of £10,000 was insured for only £5,000, the insurance being "subject to average," and there was a loss of £2,000, the company would only be liable for £1,000, the insured being his own insurer in respect of the other half. If the stipulation of "subject to average" had not been made, the insured would have been entitled to recover the whole of the £2,000. Then, again, it should always be ascertained whether a policy is "subject to average," because if a policy with one company covering certain property is subject to the condition, and a policy with another company on the same property does not specially stipulate that it is subject to the stipulation, the latter is, nevertheless, on the same footing as the "average" policy.

I may say that a lessee is liable for the insurance of a building, unless there appears in the lease special wording to the effect that his liability for "loss by fire" is excepted.

From the few remarks which I have made I think it will be very generally conceded that it is highly desirable for an insured to keep constantly before him the conditions of his fire insurance policies.

Actuarial Science and its use to the Accountant.

By A. M. Campbell.

To introduce this subject to the average mind it is necessary to assume that one has an average arithmetical knowledge, coupled with some idea of the principles of

algebra; but to dig deeply into the subject one requires to thoroughly comprehend both these sciences—particularly the latter—and from his connection with, and experience in, accountancy, the student will find that actuarial science is not only an advantage to him in his professional work, but is also a stimulant for the thinking powers. My knowledge of it is elementary, and I can only introduce the subject in that manner, more particularly as the time at my disposal is short. I shall therefore be compelled to touch upon merely those important items likely to occur in every-day experience, and shall commence with *Compound Interest* accumulating principal and interest once a year.

The amount to which 1 will accumulate in one year under the operation of interest is manifestly $(1+i)$ and we start the second year—as you know—with this as principal, so that at the end of the second year we have $(1+i)\ (1+i)$ or $(1+i)^2$ and so on for the number of years which it is required to ascertain the amount. The amount therefore to which 1 will accumulate in n years is $(1+i)^n$. If 1 therefore having been ascertained, any other principal (say P) will be found by simple multiplication, and calling this amount of accumulation S we obtain the general formula—

$$S = P\ (1+i)^n$$

Similarly, if P is desired to be found, by transposing the above equation we have—

$$P = \frac{S}{(1+i)^n}$$

I shall not trouble you by working out the equations to find n and i, but the formulæ are—

$$n = \frac{\text{Log. } S - \text{Log. } P}{\text{Log. } (1+i)}$$

$$i = \left(\frac{S}{P}\right)^{\frac{1}{n}} - 1$$

These formulæ are arrived at on the assumption that interest is accumulated with the principal only *once* a year; but what if the accumulations are more frequent, a fairly common occurrence in practice? The 1 originally invested will have accumulated at the end of the first portion or Mth part—as we call it—to j $\left(1+\frac{j}{m}\right)$ or to make you comprehend more clearly this would stand a simple fraction thus—$\left(1+\frac{\cdot 05}{4}\right)$ *i.e.*, 1 at 5% accumulated quarterly. At the end of the second Mth part of a year the 1 invested amounts to $\left(1+\frac{j}{m}\right)^2$ and so on increasing the index; we come then to the formula $\left(1+\frac{j}{m}\right)^m$ – which is the effective rate of interest corresponding to the nominal rate j –: The following Table gives a good example, I think, of the corresponding rates to each other, which will probably make it clear to you what is meant by those two very important terms.

Nominal Rates per cent.	Corresponding Effective Rates when Interest accumulated	
	Half-yearly	Quarterly
3	3·0225	3·0339
3½	3·5306	3·5462
4	4·0400	4·0604
4½	4·5506	4·5765
5	5·0625	5·0945
6	6·0900	6·1364

It will thus be seen that the more often the operation of accumulating principal and interest the greater the gain. So much for interest; but before proceeding I think, to make it clearer to you, a few practical examples would convey to you the advantage of working compound interest on these lines.

(1) To what sum will £40 accumulate in twenty-five years at 5 per cent. compound interest payable yearly?

The formula is $S = P\ (1+i)^n$, and as $P = 40$, $i = \cdot 05$ and $n = 25$, we have

$$S = 40\ (1\cdot 05)^{25}$$

to find the value of $(1\cdot 05)^{25}$ we use logarithms as the simplest method, but without going into these we can easily arrive at this value by the ordinary method of indices—the value is 3·3864, therefore $S = 40 \times 3\cdot 3864 =$ £135·456.

(2) If the interest had been payable quarterly at the nominal rate of 5 per cent. per annum the formula would have been—

$$S = P\left(1+\frac{j}{m}\right)^{mn}$$

substituting the figures above we have

$$40\left(1+\frac{\cdot 05}{4}\right)^{4\times 25} = 40\ (1\cdot 0125)^{100} = £138\cdot 536.$$

(3) In how many years will a sum of money double itself at compound interest? I should have to carry you into logarithms for this working, but I specially mention the question, as it is well to know the recognised standing fraction for same.

A sum of money will double itself in $\frac{69}{\text{rate per cent.}}$ years, or accurately $\left(\frac{69\cdot 3}{\text{rate per cent.}} + \cdot 35\right)$ years.

Discount.

The difference between a sum due at a future date and its present value is called discount, and the symbol in actuarial science is d or $= vi$.

In this connection it should be noticed that when a merchant seeks to discount a bill his banker quotes to him the rate of discount, *not* the rate of interest. Through failure to keep this in view very often confusion has arisen, and it has been usual to say that commercial discount differs from theoretical discount, *e.g.*, in discounting at 5 per

cent. an obligation for £100 due at the end of a year, a banker would accordingly deduct £5 and pay over £95. That this method of calculating discount is not correct is easily seen, and no one is more cognisant of it than the banker. But to carry the thing to an extreme case, and assume that the amount due under the aforesaid obligation had not been payable for twenty-five years, calculated in this way the discount would amount to £125, and we should have the absurd result that £100 due at the end of twenty-five years is worth £25 less than nothing.

Discount calculated in this way is known as *Trade Discount* or *Commercial Discount* to distinguish it from True Discount, which, as has been explained, is the difference between a sum due and its present value; therefore the *true discount* on £100 at the end of the year at 5 per cent. is $\left(100 \times \frac{\cdot 05}{1\cdot 05}\right)$ or approximately £4 15s.

Annuities-Certain.

These are of very frequent occurrence in the experience of those in the profession engaged particularly in trusts, and it is well to know a little of the *modus operandi* employed in calculating their values.

Annuities-certain are annuities which are payable over a definite period. An annuity is measured by the amount payable in the course of a year, which is sometimes called the *rent* of the annuity. It is assumed, unless otherwise stated, that the first payment of an annuity is due at the end of the year, or, if payable at more frequent intervals, at the end of the first interval. There are two ways in which an annuity-certain may be capitalised, the results being known as the Amount and Present Value of the annuity. The amount is the equivalent value of the annuity capitalised at the date when it expires, and the present value is the capitalised value at the date when the annuity is entered upon. According to the approved system of notation, the amount of an annuity-certain of 1 for n years is represented by the symbol $\overline{S_n|}$ and the present value of a similar annuity by $\overline{A_n.|}$

Simple interest is seldom used in the calculation of annuities, as it leads to very unsatisfactory results. Passing to compound interest, I ask what is the amount of an annuity of 1, payable yearly for n years. I need not go into the ordinary method of working this out when simple proportion explains the formula. The amount to which 1 will accumulate in n years at compound interest is $(1+i)^n$ and deducting from this the original capital invested we have an annuity of i for n years which is—

$$\left\{(1+i)^n - 1\right\} \text{ whence } 1 = \frac{(1+i)^n - 1}{i}$$

Then as to the present value of a similar annuity (v being the symbol), if we invest 1 it will yield an annuity of i for n years, and the present value of the unit which will then be left on hand is, of course, V^n. The amount absorbed in the payment of the annuity of i is therefore $1 - V^n$, and this being the present value of an annuity of the present value of an annuity of 1 is by simple proportion $\frac{1 - V^n}{i}$.

The following are examples showing how we may apply the above formulæ, *e.g.*:

"What would be the *amount* of an annuity of £40 for 8 years @ 5% compound interest?"

$$\text{Formula } \overline{S_n|} = \frac{(1+i)^n - 1}{i} = \frac{(1\cdot 05)^8 - 1}{\cdot 05}$$

We have to find the value of $(1\cdot 05)^8$, which is 1·4774.

$\therefore \frac{1\cdot 4774 - 1}{\cdot 05} = \frac{4774}{5} = 9\cdot 55$, which, being multiplied by £40, gives us, as the result, £382.

"What is the *present value* of the same annuity?"

$$\text{Formula } \overline{A_n|} = \frac{1 - V^n}{i} \text{ or } \frac{1 - \frac{1}{(1\cdot 05)^8}}{\cdot 05} = \frac{1 - \frac{1}{1\cdot 4774}}{\cdot 05}$$

$= \frac{1 - \cdot 6768}{\cdot 05} = \frac{\cdot 3232}{\cdot 05} = 6\cdot 464 \times £40 = £258\ 11\ 2$, the result.

I have refrained from proceeding in the ordinary actuarial way to arrive at these formulæ, for the reason that "series" and "progressions" come into use, and therefore the possibility of making the matter less obscure is reduced. It is well, however, for the student always to work out in the manner indicated by the text-book he is prosecuting, as when he comes into more advanced problems he must necessarily proceed only by having the groundwork well in mind.

As I wish to give you some little idea of the history of, and method of, constructing mortality tables, I am forbidden to touch on Perpetuities, Deferred Annuities, Sinking Funds, &c., for want of time to do so.

Mortality Tables.

Uncertain as is the lifetime of any individual, it is found that the average duration of life in a large community is subject to little fluctuation. If therefore a table of mortality be formed from the collected experience of a large number of persons, the results obtained will, on the average, be correct and reliable.

In the mortality table as ordinarily constructed there are two elementary columns from which the others are derived, and on which all calculations are based. The first of these, which is known as the l_x column (the suffix x being used to denote the age) begins with an arbitrary number of persons supposed to be alive, and shows how many out of this number will survive at each year of age till the limit of life is reached. The second, known as the d_x column, gives the number who die at each age.

While I state these two columns as distinct, they in reality present the same facts from different point of view, *e.g.*, if there be 100 persons alive at age 10, and at age 11 only 97 of these survive, then the number of those who have died aged 10 is of course 100—97, and we have accordingly the relation $l_{10}-l_{11}=d_{10}$, or to put the case generally—

$$l_x - l_x + 1 = d_x$$

I shall not be able to extend my remarks on these two columns, which are actually the basis of the mortality table. There are other columns contained in the table showing the probabilities of living and dying and the expectation of life, so that when we have the table in its complete form we have the information we require to assist us in making calculations for Annuities, Assurances, Policy Values, &c. I should like to go into one or two of these problems with you, but, as previously stated, it would be useless without working carefully through from the commencement.

Respecting the different tables constructed. Many attempts have been made to establish a law of life, but none of these were satisfactory until the Carlisle table was constructed and published in 1815. Previously the Northampton table had been framed by a Dr. Price, but it was based on a false assumption, which led to the Government—who adopted it—losing nearly £2,000,000 in eleven years.

As a result, however, it instructed Mr. Finlaison to prepare a table showing the true rate of mortality among annuitants. This table was published in 1829, and two others followed it in 1860 and 1883.

The tables show in a marked degree the superiority of female life at the older ages.

I may say that the Government table is considered the most reliable, although the Institute of Actuaries' life tables are the ones recognised by life insurance offices. The tables known are:—

(1) The H^M Table, founded on Healthy Male Lives.

(2) The H^F Table, founded on Healthy Female Lives; and

(3) The $H^{M(5)}$ Table, from which the first five years of Insurance are excluded so as to annul the effect of the medical examination.

Personal.

The partnership previously subsisting under the style of SNOWDEN & STRINGER has been dissolved by mutual consent. Mr. STRINGER will continue to practise at Cheapside Chambers, Bradford.

Review.

The Public Trustee Act, 1906, with Notes and Observations Thereon.

By ARTHUR REGINALD RUDALL, of the Middle Temple, Barrister-at-Law, and

JAMES WILLIAM GREIG, LL.B., B.A., Lon., of Lincoln's Inn, Barrister-at-Law.

London, 1907; Jordan & Sons, Lim. Price 3s. 6d. net.

This annotated copy of the Public Trustee Act of 1906 is intended as a supplement to the author's work on the Law of Trusts and Trustees. The Act of 1906 comes into operation on January 1st 1908, and although only permissive in its character introduces, notably in the office of "Custodian Trustees," a new element into the law of trusts.

In the introduction this new office is lucidly explained and the annotations to the Act are full and instructive.

In an appendix the authors have seized the opportunity of inserting some of the cases recently decided on sections of the Trustee Act, 1893.

The index is a very amateurish affair, but fortunately, in a work of this small size, is of minor importance.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday May 31st was 138, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 71; Deeds of Arrangement registered, 67. The respective numbers in the corresponding week of last year were: Bankruptcies, 101; Deeds of Arrangement, 80—total, 181; being a decrease of 43. The total number of commercial failures recorded during the 22 weeks of the present year is 3,377; the total number recorded in the corresponding 22 weeks of last year was 3,725, showing a decrease of 348.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday May 31st, was 135. The number in the corresponding week of last year was 178, showing a decrease of 43. The total number filed during the 22 weeks of the present year is 3,293; the total number filed in the corresponding 22 weeks of last year was 3,360, showing a decrease of 67.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday May 31st amounted to £7,943,124, by way of addition to £367,647, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,298,317, showing an increase of £6,644,807. The total amount registered during the 22 weeks of the present year is £45,641,666 (in addition to the issues in previous years by the same companies), as compared with £37,586,629 for the corresponding 22 weeks in 1906, showing an increase of £8,055,037.

The Profession in Scotland.

The Aberdeen Chartered Accountants Students' Society.

The Costing and General Management in Mining.

By Mr. James M. Dickie.

A paper delivered to the above Society on 7th March 1907.

The extensiveness of the subject I have chosen to deal with at first sight seems impossible to be dealt with in anything more than on an extensive scale, but I shall try, as far as possible, to put before you in the shortest form an outline of costing and management in mining. Primarily, I have divided my subject into two parts. In the first portion I shall deal with mining under the no-liability system, and in the second place I shall deal with the more familiar system known to us, of mining under the liability system. I need not go further into the question of mining in Scotland, meantime, than to merely remark that, as all mining in Scotland—as, indeed, in the British Isles—is carried on under the liability scheme, the methods as put forth under that branch equally apply to mining in our own country. Of course, there is the system of Cost Book Mining Companies, known as the "Stannaries," as carried out in Devon and Cornwall, and, in point of fact, they are really to be classed under the no-liability heading. I shall, however, give special attention to colliery mining requirements applicable to the industry as carried out in Scotland. The no-liability system of mining is largely in vogue in Russia, Australia, and in America, whereas the only country practically where mining under the liability system is wholly prevalent is in Great Britain. The reason for this is easily explained by the fact that in these countries the risk is much greater, and if shareholders are induced to take part in the speculation, they take good care to incur no further liability than the sum primarily advanced. The importance, therefore, of my devoting my attentions to this system in the first place will be fully recognised.

Under the no-liability system the effect is that a shareholder incurs no responsibility in becoming a member of a no-liability company. If it is not successful he may abandon his interest whenever he chooses by refusing to pay calls without any procedure on the part of the company, so that the liability of the shareholder as a contributory is consequently nil, though he may still have a contingent interest in the shares in case they should realise a surplus on their being afterwards sold by the company. The result of this system is, therefore, that as shareholders cannot be called upon to contribute towards the payment of the company's debts in case of winding-up, no-liability companies are practically barred from obtaining credit except on the security of their actual property. In the early days when the system was first evolved, and when the mineral was easily won at shallow depths, the system suited requirements, but now that surface deposits have been worked out and the mining operations requisite for the greater depths, now necessary, entail a much heavier expenditure as well as a longer wait for returns, it has been found to have its disadvantages. Though at first sight it may appear antagonistic to the general principle of company accounts, this system is really under the circumstances justifiable, especially when it is taken into consideration that the trading (so to speak) of the concern has little to do with the estimation in which it is held by those interested and by the public generally. Good returns is the point that the shareholders' attention is fixed on. Depreciation on machinery is practically ignored, and under the peculiar circumstances this is perhaps even defensible, plant, &c., being retained as an asset at its cost and the work of development and office expenses treated as capital expenditure and charged to the mine. For the same reason also the debit of profit and loss is frequently transferred to Mine Account. In other cases it is retained either as a balance at profit and loss or under the head of working expenses, but in whatever way it is treated it is merely a record of expenditure that no longer concerns anyone, and is in no way regarded as affecting the stability of the company. Dividends, of course, are only payable out of profits, and even then as a rule only when such profits are represented by available cash. One practice to be deprecated, even though it is the outcome of the system, is the almost systematic non-reserving of cash for development purposes or the erection or extension of

machinery, thus necessitating calls being made when returns fall off, and, as a result, the possible lowering of marketable value of shares, or even the stoppage of the company. This, however, is practically unavoidable, as, owing to the rapidly changing conditions of the mining share market, permanent investment is seldom contemplated, and the reserving of profits to meet future contingencies is usually objected to by the immediate shareholders, who naturally prefer the division of profits as they become available to making a sacrifice for the benefit of strangers who may come after them. The no-liability system, however, with all its faults, is and has been undoubtedly a great help to mine enterprise, as it works for the small investor without entangling him in penal liability in case of liquidation. Although naturally opening a wide door for speculation, without its aid, in giving things a start, many of our most prosperous mines might have never been called into existence. Here I shall detail the principal provisions made under the Acts applicable to the no-liability system, and when compared with the corresponding provisions of the liability system, little variation in the conditions will be discerned :—

(1) The acceptance of a share is no contract to pay.

(2) Two-thirds of shares to be subscribed for, and 5 per cent. of subscribed capital to be paid in cash or kind.

(3) Calls to be paid within fourteen days, after which forfeiture.

(4) Such shares to be sold by auction. Directors may buy them up.

(5) Balance Sheet in form annexed to Table A. and prepared once a year.

(6) Manager has no independent discretion in purchase of goods, but only to facilitate business usually under the authority of the board.

(7) Goods are ordered on company's account.

(8) Company may sanction an issue of new shares after the last call made.

(9) Company may subdivide the shares in same manner.

(10) Company may borrow on mortgage by a majority.

(11) In registration of members' names, addresses, shares held, amount paid thereon, and date of registration, also date of ceasing to be a member, and shares all numbered.

(12) Contracts to be made under common seal.

(13) If voluntary winding-up, by two-thirds of a majority at an extraordinary general meeting; if compulsory, by Court.

(14) Wages limited to managers, clerks, and workmen.

Limited Mining Companies are a sort of compromise between the no-liability system and the regular trading (joint stock) company, points being conceded to the latter as regards their powers of recovering calls against shareholders. In this case the call is deemed a debt from the shareholders to the company up to fourteen days after its due date to the company, though its manager may sue for the recovery of the same with interest and cost of suit, provided such proceedings are commenced before the expiration of fourteen days from the due date. If, however, this period of fourteen days is allowed to go by without action to recover being taken, forfeiture takes place, and all other proceedings are exactly on the same footing as in the no-liability companies. It is also provided that if judgment has been obtained against any shareholder for unpaid calls on action instituted within the fourteen days, and such judgment shall not be paid (or cannot be levied out of any property of the shareholders) within fourteen days from the date of judgment, the shares shall then also become forfeited. In this case, in the event of any subsequent sale by auction of the forfeited shares, all costs of proceedings and expenses incurred therein shall be deducted from any surplus in addition to the ordinary expenses of sale.

I shall now deal with the accounts generally, and shall particularise on any special point of observation. The value of the uncalled capital as a pledgeable asset being practically nil (in no liability companies absolutely so), anyone giving such a company credit to all intents and purposes joins in the speculation. Consequently Personal Accounts in the ordinary trading sense may be disregarded and mine bookkeeping considered as purely a system of Cost and Capital Accounts. As in all such systems of costing the object of such accounts should be to control the expenditure, but it is here, owing to the mine as a rule being at some distance from headquarters, that the peculiar difficulties in these accounts present themselves. The mine manager must be allowed to make payments—to a certain extent, at any rate—which can only come before the board for review after the money has been paid away. Still, the board should maintain the control of the expenditure and should meet fortnightly as soon as may be convenient after the close of the mine fortnight, so that any criticisms on the mine expenditure may be made while the circumstances are fresh in mind. A schedule of accounts for payment, including the Mine Pay Sheet, &c., should be prepared and submitted to the board, with the accounts themselves attached, and when passed signed by the chairman, and no payments should be allowed by the auditor unless it appears on such a schedule. As has been indicated, the distance of the mine from headquarters requires that the mine manager be entrusted with a certain amount of authority to make pay-

ments in the company's name, but this should be restricted to the payment of wages and petty local expenses, and it can be most effectively controlled by the adoption of what is known as the "Imprest System." Under this system a credit account for a fixed definite amount is opened at the bank in the name of the company, under the control of the board, upon which the mine manager is authorised to operate, and each fortnight as the mine manager sends in his Pay Sheet and vouchers the same is laid before the board and passed for payment, whereupon a cheque is drawn on the company's General Account for the exact amount of such payments, and paid into the credit of "Mine Imprest Banking Account," which would then be restored to its original amount, no recoup being made for any mine payment unless and until a receipted voucher for such payment has been received. All payments at the mine are made by cheques payable to number, and the number of each cheque is entered in the Mine Pay Sheet opposite its amount, so that the Bank Pass Book can be readily checked, outstandings estimated, and the balance verified. By this means unauthorised payments can be promptly detected and extravagance checked, as on no account should an overdraft be allowed. By this system the trouble of keeping a Cash Book at the mine is obviated. The audit is also greatly simplified by the usage of this method of recording. All other expenditure—Plant, Machinery, Mining Equipment, Explosives, Chemicals, Mine Timber, and General Stores—should be purchased through the office under the direct authority of the board. As a rule, bookkeeping is not a strong point with mining managers, who are—as they should be—generally selected for their special qualifications for directing mining operations and getting the best work possible out of their men; therefore if they are not provided with efficient clerical assistance the accounts they should be called on to keep should be of the simplest possible nature—Wages Book, Stores Book, and a Mine or Cost Ledger being all that should be required of them. The Wages Book or Mine Pay Sheet should show the different class of work, how each man is employed, the number of shifts worked, the rate of wages, and the fortnightly total. For convenience, amounts paid for local expenditure should be added at the foot and vouchers attached. This book should be in duplicate, perforated down the middle of the sheet, and each man's receipt signed opposite his name, and on the outer half, which when complete is torn out and forwarded to headquarters as a voucher, while the counterfoil remains in the book as a complete record of the fortnight's work. No totals are carried forward, each fortnight being complete in itself. The Stores Book should show the quantity of stores received and issued, being debited with the cost as per invoice, with carriage added, and credited as stores are issued for each particular work. It is hardly to be expected that this book will absolutely balance with the stock in hand, but it should be approximately correct both as to quantities and values, and this system is applicable to the smallest or largest company. The Mine Ledger should have an opening for each different work, or class of work, Sinking, Driving Surface Works, Plant, &c.; also for General Wages, Sundry Expenses, Stores, Explosives, Timber, Cartage, Fuel, Horse-feed, &c. In this Ledger, or in a separate book if preferred, the mine produce may be recorded, but as realisations will be effected through the office the values will not appear. This Ledger is posted from the fortnightly totals of the Wages and Stores Books, and should only have accounts opened for the different actual works carried out, but there are always items of expenditure difficult to allocate, and so the headings of stores expenditure will find their way into it; but care should be taken that they are not too freely availed of, otherwise the information contained under the special headings will be of little use. Abstracts of this Ledger should be forwarded to headquarters periodically, and there compared with the office books. In practice this system would be found simple, and of great assistance to the mine manager in keeping him posted up in the cost of his work, and in affording him data on which to base estimates of future expenditure, while the directors will have before them in the periodical abstracts of the Mine Ledger a concise summary of the cost of working to date.

The accounts kept at headquarters should be such as to fully and effectively record the progress and position of the company, and to this end a Cash Book, Journal, and Ledger are required. The Cash Book need only be of a simple form. In the ordinary course a mining company's income is derived from calls and sale of gold, &c., or advance on the metals, &c., by the banks or smelting companies. As calls form the more numerous entries a special column should be set apart for them, and there is only need for the posting of the monthly totals to the Ledger. The other items may be posted direct and further tabulation avoided. On the *contra* side the entries are not usually many or varied. There will be the fortnightly cheque (to recoup Imprest Account), payments for mine requirements directly passed through the office, and the ordinary management charges. Cash and Bank columns are quite sufficient for these. When dividends are paid, a separate cheque should be drawn on the General Account, and a separate Bank Account opened on which special cheques are drawn. Individual dividends should not be paid through the general Bank Account. The chief use of the Journal is as a posting medium for the adjustments of accounts, for sale of gold or metals which do not lend

themselves to direct entry through the Cash Book, accounts affecting capital, forfeited shares, &c., closing entries, and such other adjusting entries.

No special comment about the Ledger is necessary, as it follows the ordinary everyday form.

The accounts of coal mining companies vary only in degree from the other class of companies, the main difference being in the headings of expenditure, owing to the technical terms used and the mode of payment of labour for winning coal, which is based on the quantity raised. All other labour is paid as wages at per hour, per day, or per shift, as in other mines. Coal, like the baser metals, once it leaves the mine, is simply a commercial commodity, and has to be handled as such, hence the principal books of account will follow ordinary mercantile lines. The capital outlay required for coal mining is also greater than the no-liability system will ensure, and though several companies survive the difficulties of that system the principal coal companies are registered as trading companies and their accounts kept as such. By the last few words, "and their accounts kept as such," is just meant that their methods contemplate permanency; their business is expected to grow from day to day, and their undertaking usually has a value inherent in itself in the shape of goodwill, trade connection, exclusive right to trade, monopoly, &c., whereas in no-liability companies the business is usually considered as of a wasting nature, and would not act wisely in expending too much in costly mining and ore treating plant. In mining companies (with coal companies most evident) the practice is carried out of dealing on the "Hire-purchase Wagon System." Briefly, this is just paying for the wagons by equal periodical instalments including interest. The principal provision is that, after all the instalments have been duly paid, the outright possession of the plant can then be acquired by the further and final payment of a small sum for each wagon, and until this has been done the ownership rests with the wagon company. On the transference of the wagons from one company to another, the seller, presumably, would be entitled to the amount of instalments paid, less depreciation on the wagons, but, of course, any such alteration would require the lessor's consent. The recording of entries in the books of the mining company in the case of a direct hire-purchase would be, Credit Personal Account with the present value of each instalment when due, also with the amount of interest contained in each instalment. Credit Cash Account with the money when paid, and debit Personal Account similarly. Debit Wagon Account with the present value of each instalment when paid, and debit Profit and Loss Account concurrently with the amount of interest in each payment. Debit Profit and Loss Account with the depreciation, and credit Wagon Account therewith.

An explanation is now necessary as to the distinction between colliery royalties and fixed or dead rents. The fixed annual rent is the minimum consideration payable in any one year, irrespective of the output of the mine. When the royalty rent is less than the fixed rent, the difference is termed "Short Workings," and the fixed rent is payable to the lessor. Royalty and dead rents are, of course, a direct charge against Revenue Account. Sometimes the "Shorts" appear in the Balance Sheet as an asset, but such sums should not appear as such, unless there is a reasonable prospect of recovery. A royalty rent may be charged on the tonnage raised or sold, on acreage worked, or on the sliding scale principle. The latter system, of course, varies in accordance with annual direct returns on the output, and may be considered as the most advantageous to the lessee, as it enables him in times of depression to retain his trade and tends to continuity of work.

A great deal might be said of the different processes gone through before the commodity reaches its perfect state with regard to the duties allocated to the managers of the several departments, as also the inner checks in connection with the making up of return sheets to the head office, but these need not be dwelt upon, as, indeed, it is a matter with which it is not necessary for an auditor to make himself acquainted, other than for his own edification, or rather enlightenment, as he is not responsible for the accuracy of such details. It may, however, be worthy of remark that in mining operations the attendance at the mine of one or other of the directors is almost constant. The absolute necessity of this cannot be too strongly set forth; as, for instance, in gold mining a great risk is involved in the wholly allocating of outsiders, as it were, to the operations.

I have now discussed, as far as time will permit of, the principal methods in mining, although it has been, I fear, in a very disjointed manner, but I trust it will impart a reasonably general idea of the subject I have taken the liberty to deal with.

Obituary.

The death occurred on the 30th ult. of Mr. James Macpherson, C.A., 13 Frederick Street, Edinburgh, under tragic circumstances. The deceased was found dead in his office on the afternoon of that day, the cause of death being heart failure. The deceased was a native of Elgin, and for some time acted as cashier with Messrs. Moncreiff &

Horsbrugh, C.A., Edinburgh. He was admitted a member of the Edinburgh Society of Accountants in 1886. Later he was for a time in London, where he filled the position of managing clerk with a large firm. Returning to Edinburgh some years ago he began business for himself.

Personal.

Mr. David Don, C.A., Dundee, has assumed as partner Mr. Charles Stewart, C.A., and they will carry on business at 9 Tally Street there, under the style of Don & Stewart.

Edinburgh Society of Accountants.

At the special levee held by his Grace the Lord High Commissioner at Holyrood Palace, on the 22nd ult., the following gentlemen were present, representing the Society of Accountants in Edinburgh:—Mr. J. A. Robertson Durham, President, Messrs. F. W. Carter, C. E. W. Macpherson, R. D. Rainie, T. P. Laird, J. Campbell Dewar, Edward Boyd, and Richard Brown, Secretary.

General Examining Board in Scotland.

At the half-yearly examinations of the General Examining Board of the Scottish Societies, which have been taking place at Edinburgh, Glasgow, and Aberdeen during the week, the following candidates presented themselves:—For the Preliminary Examination, 71 candidates, 35 being from Glasgow, 23 from Edinburgh, five from Aberdeen, four from Greenock, and one each from Dalny, Dundee, Inverness, and London. For the Intermediate Examination, 91 candidates, there being 55 from Glasgow, 27 from Edinburgh, three from Dundee, two from Aberdeen, and one each from East Newport, Greenock, London, and Perth. For the Final Examination, 86 candidates, 42 for the whole examination, 13 for the First Division, and 31 for the Second Division. Of these 35 are from Glasgow, 27 from Edinburgh, seven from Aberdeen, four from Dundee, two from Broughty Ferry, two from Kilmarnock, two from London, two from Paisley, and one each from Blairgowrie, Bonnybridge, Greenock, Nottingham, and Sheffield.

Scottish Insolvencies.

For the week ending 1st June the number of insolvencies reported in Scotland was 32, as compared with 15 in the corresponding week of last year. The trust deeds numbered 23, as compared with 10; the sequestrations 6, as compared with 2; and the petitions for cessio 3, as compared with 3. The total number of insolvencies for the twenty-two weeks of the year is 627, as compared with 563 in the corresponding period of last year—the trust deeds numbering 311 against 275, the sequestrations 117 against 138, and the petitions for cessio 199 against 150. Of the 23 trust deeds reported during the week, nine were granted in favour of Chartered Accountants. Two voluntary liquidations of limited liability companies were gazetted during the week, making 65 for the twenty-two weeks.

Rating of Tramways.

VERY shortly after the delivery by the learned Lords Justices of their important judgments in *Great Central Railway Company v. Banbury Union Assessment Committee*, the case of *London United Tramways* (1901), *Lim. v. Brentford Union Assessment Committee* (noted 112 L.T.J. 483) has come before the Court of Appeal. And while those judgments will do much towards elucidating the principle upon which the rating of railways for the relief of the poor ought to proceed, the judgments in the subsequent case will serve the same useful purpose in respect of tramways. In short, the latter decision may be regarded as in the nature of a corollary to the former. As stated, the undertaking of the tramway company in question comprises a system of lines which run through several contiguous parishes. In some cases the company's cars pass over the same lines of tramway for a portion of the journey when traversing different routes. Passengers are charged specified fares for any length of journey between certain fixed points and other fixed points upon such lines. In order to ascertain the rateable value of the undertaking in a particular parish, the contention of the company was that the fairest method of valuation was to arrive, in the first instance, at a rateable value of the whole undertaking, and then (after deducting the value of the indirectly productive part thereof), for the purpose of adopting the parochial principle so far as possible, to divide such rateable value among the parishes in which the undertaking is situate, according to the number of car miles run in each parish during a period of twelve months. The Court of Quarter Sessions adopted that principle as not incorrect and as convenient and admissible. The Divisional Court took the same view; and the Court of Appeal, being of opinion that the Court of Quarter Sessions had neither included evidence which should not have been given, nor excluded evidence which was tendered and which should have been given, likewise held that their decision ought not to be disturbed. As was pointed out by the Master of the Rolls, there is considerable difficulty in applying the

parochial principle in all its rigours and force to the case of a tramway, however practicable it may be to do so in the case of a railway. The right mode of arriving at a conclusion is to work on the basis of car miles and nothing else—both as to receipts and as to outgoings. Although it may, his Lordship observed, be impossible with mathematical accuracy to ascertain what are the receipts of a tramway company in respect of any particular lineal mile, yet it is not impossible to obtain a reasonably accurate estimate of the amount of money earned by every car mile. And this was the principle upon which the assessment in the present case had been based, in preference to the lineal mileage system. The net earnings of the undertaking of the tramway company—that is to say, the total receipts less the customary deductions—were distributed over the several parishes through which the tramways run in the proportion of the car miles in the parish. One car mile, it is true, is of different earning capacity from another car mile—a fact which was disregarded by the Court of Quarter Sessions. But they treated the measure adopted as the best measure; and, even if they were wrong in so doing, they were wrong on a matter of fact and not on a matter of law. This being so, the Court of Appeal saw no ground for interfering with the decision arrived at; and the mode of assessment approved of by that decision may, therefore, be expected to be the one resorted to in regard to tramways throughout the country.

(*Law Times.*)

"Watering" Railway Stock.

It it understood that, among the schemes for the amendment of the law which are to be submitted to the Legislature by the President of the United States, is one to prevent the "watering" of railway stock. "Watering" the stock of a corporation has been defined to be the increase of the nominal capital of the undertaking by the issue of new shares without a corresponding increase of actual capital. It is not unknown in England, but has prevailed to a much greater extent in the United States. In Great Britain and on the Continent borrowing powers have been conferred on railway companies in a limited degree, generally for only one-fourth of the capital, and the debenture or other obligations representing the authorised debt have become esteemed as a security of the highest character for investment. In the United States, on the other hand, borrowing powers have been exercised for the most part under general laws and without limitation, so that often all the actual value for constructing a railway was raised by loan, while the share capital was issued solely for the profit of the contractor. In these circumstances a large part of the original capital was fictitious; the railway company was in fact over-capitalised, and the stock was subsequently still further "watered" by the unwarrantable issue of new shares. Moreover, in some cases dividends on shares called "scrip dividends" were paid to the dissatisfied shareholders so as to increase the nominal capital without any reference to the intrinsic value of the undertaking. These abuses may probably require legislative provision prohibiting railway companies from accepting anything but money in payment for stock, or from issuing stock at any rate below par.

(*Solicitors' Journal.*)

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
,, 25th 1907	4%

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The Accountant

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Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
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Leading Articles.

"Outside" Accountants.

THE registration of new societies professing to represent the accountancy profession must prove quite a source of industry at Somerset House, where company registration has for some time past been at a very low ebb. It is only a short time since that Mr. Justice WARRINGTON made an order for the compulsory winding-up of a so-called Society of Qualified Accountants, but the latest new-comer

upon the field is the National Federation of Accountants, Lim., which was registered on the 30th April last, having for its objects *inter alia* to support and protect the character, status, and interests of the profession of accountants and auditors generally throughout the British dominions; to promote honourable practice; to repress malpractice; to settle disputed points of practice, and to decide all questions of professional usage or courtesy between or among accountants and auditors. Other powers are taken, including the printing, publication, and circulation of books, papers, and periodicals, in connection with which the Federation appears to have opened a bookselling department, under which the Secretary will be happy to forward any of the books recommended on receipt of postal order for the published price, post free.

The Federation is limited by guarantee, and, we observe, adds the term "Incorporated" to its title at the head of its prospectus. The word is, however, presumably no part of the name of the company, for the Companies Acts require the word "Limited" to be the last word in the title of a limited company. Presumably, therefore, the word "Incorporated" has been added in imitation of the practice of the Society of Accountants and Auditors, and in ignorance of the legal difference—namely, that the Society, having obtained a Board of Trade licence to dispense with the use of the term "Limited," is free to finish its title with any word that it thinks fit. The Council as at present announced comprises ten names, all of which are unknown to us. We observe, however, that the General Secretary is a Mr. HIGH, a name identical with that of the Secretary of the unincorporated Institute of Accountants, against which an injunction was recently granted restraining the defendants and all others the persons constituting or carrying on the Institute of Accountants from carrying on business in the name of the Institute of Accountants, or in any other name so nearly resembling the name of the plaintiffs, or in such manner as to deceive or to lead to the belief that such business is that of, or is in any way connected with that of, the plaintiff Institute of Chartered Accountants.

Interesting innovations announced in connection with this National Federation are that the Intermediate Examination qualifying for "A.N.F.A., Lond." may be taken by candidates over eighteen years of age, and that persons may become life members on payment of a subscription of ten guineas. It does not appear to us that either of these practices is likely to support and protect the character, status, and interest of the profession, or to repress malpractice.

Dealing first with the so-called Associate's degree—which may yet quite conceivably be objected to by the University of London as being quite capable of being confused with a degree conferred by that body — it is surely obvious that no initials purporting to represent that the holder is a qualified member of a profession ought to be conferred upon anyone while he is a minor, and therefore in a position to enter into contracts that cannot be enforced against him, while he upon his side is able, through his father or best friend, to enforce such contracts should they turn out to be favourable to him. We may be quite certain that if persons under the age of twenty-one years were to be encouraged to enter into practice as professional accountants, the effect of this innovation would not be to repress malpractice, and it may be questioned whether

any very special step forward would have been taken in the direction of promoting honourable practice.

With regard to life membership, it would be interesting to know what course it is proposed to take if, after receiving the applicant's ten guineas, and conferring upon him the privileges of a life member, it should be found that his conduct or antecedents, or both, have been such as to render him an undesirable member of any community of honourable persons. Possibly the Federation may by its articles of association reserve the right to retain the ten guineas and to withdraw the privilege of membership. But it may well be questioned whether this represents the whole of its duties in the matter of supporting and protecting the character, status, and interest of the profession; and we may be pretty sure that it would find some difficulty in restraining a life member from so describing himself unless he had been guilty of something far more serious than mere sharp practice or unprofessional conduct.

Another new company is the Secretaries' Association, registered on the 14th March last as a company registered by guarantee, which claims to be able to confer upon its members the designation "Incorporated Secretary." We need hardly say that this concern is in no way connected with the Chartered Institute of Secretaries. It is of interest to observe that, even among company secretaries, the chartered body is apparently not to be allowed to have the field to itself; but the matter is, of course, of interest to accountants as well, for we may be quite sure that the average Incorporated Secretary will also be an accountant, and will thus not improbably describe himself as Incorporated Secretary and Accountant. It is stated in the *Incorporated Accountants' Journal* that this Association was registered by the Secretary of the Central Association of Accountants, Lim. If that be so, the probabilities of matters shaping in the way that we have indicated are, of course, largely increased, as it seems highly probable in the circumstances that the terms "Secretary" and "Accountant" are being used virtually as interchangeable terms; the former being now employed because the Court has granted an injunction against the unauthorised use of the term "Incorporated Accountant."

Deeds of Assignment and Subsequent Bankruptcy.

THERE are few questions of greater interest to the insolvency practitioner than those arising out of the uncertainty as to whether a deed of assignment executed in favour of a trustee for the benefit of creditors generally will be rendered void by the subsequent bankruptcy of the assignor. From time to time there have been decisions relating to the matter, and among other points it may now be said to be fairly definitely established that a creditor who has either directly or by implication assented to the deed, or has endeavoured under the deed to obtain a preference over the creditors generally, loses thereby his rights in bankruptcy. We are very far yet, however, from the state of affairs when it may be regarded that the law relating to the whole subject is definitely settled, and accordingly considerable interest attaches to the recent decision of the Registrar of the County Court of Northumberland holden at Newcastle-upon-Tyne in *Re Margaret Ann Wilkie*, particulars of which have been forwarded to us by a subscriber.

It appears that in this case the debtor had taken over and continued a business in New-

castle previously carried on by her late brother, together with his somewhat heavy debts. She herself does not appear to have been particularly successful, and in March of the present year, we are informed, she was being pressed by several of her largest creditors, with the result that, acting under legal advice, she placed her affairs in the hands of Messrs. JOHN M. WINTER & SONS, Chartered Accountants, who convened an informal meeting of the principal creditors, at which a resolution was passed in favour of a deed of assignment, with Mr. R. P. WINTER, F.C.A., as trustee, which was accordingly executed on the 14th March 1907, and registered five days later. On the 15th March it came to Mr. WINTER'S knowledge that a Mr. J. G. JOEL had a claim against the estate. He accordingly wrote to Mr. JOEL upon that day advising him of the deed of assignment, and asking for particulars of his claim. On the 21st March a meeting of creditors was held, when a statement of affairs was submitted and a resolution was passed *nem. con.* confirming the deed of assignment and electing three creditors as a committee of inspection. So far as we gather, Mr. JOEL was not present or represented at this meeting, but a circular letter was forwarded to all creditors not represented, advising them of what had taken place.

On the 27th March it appears that Mr. JOEL saw Mr. WINTER, and for the first time hinted at bankruptcy proceedings, whereupon Mr. WINTER urged him to file a petition at once if he intended proceeding in bankruptcy, so that unnecessary costs might be avoided, but after some discussion as to the position of the estate, Mr. JOEL left Mr. WINTER with the impression that he had abandoned the idea of bankruptcy. He therefore proceeded with the lisation of the estate in the ordinary cou rse. On the 29th April the deed of assignment was forwarded to Mr. JOEL for execution, but ultimately, on the 6th May, he wrote to Mr. WINTER, returning the deed, and stating that he did not at that time see his way to execute it, at the same time inquiring what dividend might be expected under the pending realisation. Apparently, however, the prospects as to dividend that Mr. WINTER was able to hold forth were not sufficiently alluring, for on the 15th May the debtor was served with a petition issued by Mr. JOEL, and this without any further communication passing between him and Mr. WINTER; which petition came on for hearing at the Newcastle County Court on the 27th ult. and was opposed by Mr. WINTER on behalf of the creditors.

The chief objections put forward at the hearing of the petition appear to have been (1) that no particulars of the claim had been rendered, and that it was not admitted; (2) that the petitioner's delay—two months—was unreasonable in the circumstances, and such as to bring him within the ruling in *Re Carr; ex parte Jacobs. In re Day; ex parte Hammond* was also referred to. (3) That the creditors other than the petitioner would derive greater benefit if the deed were allowed to stand. In the result the petition was dismissed, with costs.

Although it would, of course, have been decidedly more satisfactory had the learned Registrar indicated the precise grounds for his decision, we think that there can be little doubt that the case strengthens the view that many had already come to—namely, that the present practice of the Courts is unfavourable to a petitioner who seeks to upset a deed of assignment in cases where the deed appears to be to the advantage of creditors generally, and

where the delay of the petitioner has been such as to expose him to the suspicion that he may have been "sitting upon the fence" in the hope of securing some special advantage to himself. If this view were to be consistently followed in all cases, it would go far towards removing the objection generally entertained to the existing law, that deeds of assignment cannot be used nearly so often as is desirable because they require the creditors to be unanimous. If, however, a dissenting creditor may be ruled out of Court merely because it is inferred from his action, or inaction, that he will not rest satisfied with so small an offer as that which has proved acceptable to the general body of creditors, it will be seen that indirectly—albeit in an unsatisfactory and uncertain way—considerable powers appear in fact to be vested in a majority of creditors to bind a minority under the Act of 1887. Obviously, however, the position can never be entirely satisfactory until it be one of greater certainty than is at present the case.

The Treatment of Goodwill in Accounts.

At the thirteenth ordinary general meeting of J. Lyons & Co., Lim., which was held on the 6th inst., at the Trocadero Restaurant, Shaftesbury Avenue, W., two shareholders raised the question as to the desirability of continuing to retain in the company's Balance Sheet the item Goodwill; and between them they fairly well exhausted the stock arguments that have from time to time been put forward in favour of this course, although it must be understood that their criticism was entirely of a friendly character.

Mr. Trenner, who spoke first, stated that it seemed to him it was somewhat misleading to the general public that they should keep in their Balance Sheet an item—he might call it a paltry item—of £39,000, as representing the goodwill of their company. He suggested that instead of transferring £40,000 to reserve, the reserve might have remained at the round figure of £400,000, and the goodwill written off altogether out of the surplus profits for the current year. That, he pointed out, would allow the public to put their own estimation on the value of the goodwill of the company, and might be in the company's interest, as there could be little doubt that the goodwill of a business earning a profit of close upon a quarter of a million must be very much in excess of £39,000.

Mr. White, who followed, expressed the opinion that in a strong company like theirs the item Goodwill should certainly be expunged if possible; and, if not, it ought to be reduced year by year by a certain sum. Goodwill was, he stated, an unworkable asset, and he considered that in their Balance Sheet they should only have items out of which they could make money, so to speak.

In reply, the Chairman (Mr. Joseph Lyons) stated that the directors were very proud to be able to show the world that, with the colossal trade they did, their Goodwill was such a small item upon the Balance Sheet, and he assured the meeting that the directors hoped never to see that small amount expunged.

Doubtless some persons will regard it as a matter of little importance one way or the other whether the item Goodwill is retained in the Balance Sheet of a company making profits sufficiently large to be in the convenient position of being able to readily expunge the item out of surplus profits in any one year, but for our part we are inclined to agree with the

Chairman in attaching a special importance to the matter. It is, of course, perfectly true, as Mr. TRENNER stated, that the actual value of the Goodwill of J. LYONS & Co., LIM., at the present time must be enormously in excess of £39,000, but it seems absurd to suppose that anyone professing to have the least acquaintance with accounts would be so foolish as to think that the amount at which the goodwill of a company is stated in its Balance Sheet represents its then realisable value. It would obviously be most improper to write up the goodwill of the company as it increasingly prospered, and many accountants regard it as equally incorrect to write it down if the fortunes of the company are declining. When, however, it is admitted that a particular asset is in point of fact worth enormously more than its book value, the only possible result of writing the item out of the books altogether would be to create *pro tanto* a secret reserve.

In such a company as that now under consideration there may be many advantages in having a secret reserve, and we think it more than likely that such a reserve is already in existence, but, as the Chairman pointed out, the objection to writing the original cost of the goodwill of the company altogether out of its books is that the record of the company's extraordinary progress during the past thirteen years is also expunged. While the item continues upon the Balance Sheet it remains as a record not of existing values, but of original cost; in most cases this information is desirable, and in the present case, it seems to us, particularly so. Those who are inclined to carp at the permanent retention in a Balance Sheet of assets at their original cost mostly do so under the mistaken impression, apparently entertained by Mr. WHITE, that the items upon the right-hand side of a Balance Sheet should consist of nothing but realisable assets valued at what they could be sold for—an impression which is entirely erroneous, and of necessity impracticable as applied to a large business. The items appearing upon the so-called Assets' side of a Balance Sheet come under two distinct headings — realisable or "floating" assets; and capital expenditure represented by "fixed" assets, whether tangible or intangible, the distinctive feature of which is that it is not proposed that they shall be realised. Furthermore, if an accurate statement is to be prepared of the profits earned from year to year, it is frequently necessary to include in a Balance Sheet debit balances that only represent assets for the time being in the sense that they are payments made in advance of the benefits that will be received in exchange. It is, of course, an excellent thing to take a conservative view of one's resources, and thus to avoid overstating assets in Balance Sheets; but, like everything else, this may be overdone, and the effect of overdoing it is to misstate current profits, and to create Secret Reserves out of all proportion to the legitimate needs of the business.

Weekly Notes.

Rates by Instalments. We understand that the Farsley District Council has started a scheme enabling its ratepayers to pay their rates by instalments of one shilling and upwards, such instalments being acknowledged in a space provided upon the back of the demand note. In these days of excessively high rates there is no doubt a good deal to be said in favour of any scheme of collection which tempers the wind to the shorn lamb, and there can be little doubt that bad debts will be reduced by such an arrangement. The practical objections are, first, that the cost of collection must necessarily be increased, although perhaps not

seriously; and secondly, that the opportunities for fraud enjoyed by the collectors must, under any practicable scheme, be far greater than where the rate has to be paid in sums exactly corresponding with the amount of the demand note. It is no doubt this latter objection that will necessitate the scheme being very carefully inquired into in all its bearings before it is generally adopted. Our own impression is that some more scientific arrangement than that proposed to be adopted at Farsley is required before it can be said that reasonable precautions have been taken to avoid all risk under this heading.

Trade Unions and Local Loans. It is of interest to observe that the Poplar Borough Council, being unable to borrow from the London County Council at less than 4 per cent. interest, has negotiated a loan of a little under ten thousand pounds with the Investment Committee of the Amalgamated Society of Engineers at 3⅞ per cent. According to a contemporary the terms will involve an annual cost for twenty years of £720 14s. 7d.. against £724 18s. 6d. asked by the London County Council. The saving of four guineas per annum does not appear to justify any very protracted negotiations, but it is at least satisfactory to note that our local authorities are beginning to appreciate the necessity for economy in small things as well as in great.

The Companies Bill, 1907. In another column of the present issue we reproduce a report that has been issued by the Committee of the Liverpool Society of Chartered Accountants on the Companies Bill. This Report contains several suggestions worthy of careful consideration, foremost among these being that which somewhat unreservedly opposes the principle of registered Balance Sheets. It is suggested that the effect of this clause would no doubt be that Balance Sheets of companies would be published broadcast through the medium of trade organisations and trade protection societies, and that they would thus come to the knowledge of rivals in trade and others, which would seriously prejudice the interests of the companies. Inasmuch as all really important companies already issue Balance Sheets under such circumstances that practically all and sundry can obtain copies without the least difficulty, it is not quite clear wherein the precise objection lies, unless it be, as a correspondent pointed out a short time since, that under quite exceptional circumstances, a man or a company may, if left alone without contraction of credit, eventually come out upon the right side after passing through years of stress near to the border-line of insolvency. Such cases of course occur, but they are purely exceptional, and it may well be questioned whether it is ever desirable to attempt to legislate for the exception. It may further be pointed out that they represent those very cases where undue risks are being run in which creditors are unwittingly compelled to participate. The crux of the whole matter is whether the Legislature does or does not conceive it its duty to bolster up tottering concerns, and to help them to hoodwink their creditors in the hope that matters will come out all right in the end. With regard to concerns that are not upon the verge of insolvency, it must be obvious that the publication of a Balance Sheet is a mere bogey raised by prejudice. In these days, when the publication of Balance Sheets that shal convey the minimum possible amount of information has become a fine art, it is absurd to suppose that a trade rival could ever secure any useful hints from such a source.

Imprisonment for Debt. According to the figures contained in Part II. of the Civil Judicial Statistics for 1905—which, with the promptitude which usually characterises our judicial system, have just been issued—it seems that during that year no fewer than 11,427 persons were imprisoned for debt in England and Wales, as against 11,096 in the previous year, the average for the five years 1901-5 being 10,218. It is further stated that the number of persons actually imprisoned for debt has doubled during the past twenty years. These figures call for very serious consideration, for, however valuable the threat of imprisonment for debt may prove as a means of spurring up apathetic debtors to make the necessary effort, it must be obvious that judgment creditors gain nothing whatever by their debtor being actually put under lock and key, while the economic loss of the services of these debtors is a somewhat serious matter, more particularly when it be borne in mind that a judgment debtor must in the nature of things be a person to whom credit has been given, and therefore presumably one capable of supporting himself under favourable circumstances. Those committed to prison for debt are thus clearly by no means the dregs of the population. Another significant feature is the enormous increase in orders of committal during the past twenty years, and even during the past two years, which would appear to be more readily explained by a change of practice on the

part of County Court Judges than by any alteration of the circumstances or merits of the matter. This view is further borne out by a detailed comparison of these statistics, which show that the percentage of commitments is enormously greater under some Judges than under others—a state of affairs which clearly indicates something wrong either in one direction or the other. It is to be hoped that the Bankruptcy Law Amendment Committee will be able to bring forward some suggestion which will have the effect of removing these anomalies without encouraging irresponsibility on the part of those to whom credit has been given.

Accountants Advertising. A firm of Melbourne accountants, both partners of which are members of the Society of Accountants and Auditors (England), have issued a circular, a copy of which has come into our hands, which gives a list of companies for which they are auditors, including certain English companies for which they act locally. The circular also names the London and Glasgow agents of this firm, both of whom, we observe, are firms of Scottish Chartered Accountants. We should attach but little importance to the matter were it not that the circular states that the Melbourne firm are prepared to act for clients resident in the United Kingdom, Canada, South Africa, the United States, or elsewhere abroad, in connection with financial or commercial matters in the Australian States. This, it seems to us, virtually amounts to an advertisement for business on the part of the London and Glasgow agents, and as such has been held by the English Institute to be unprofessional. We think even the Glasgow Institute must come to a like conclusion as a result of duly considering the matter, and we trust, therefore, that adequate steps will be taken to secure the withdrawal of that which certainly ought never to have been issued. We may also commend the matter to the Council of the Society of Accountants and Auditors, who of late years have adopted a much stricter view on the subject of advertising than that which characterised their earlier policy.

Cheap Consols. During the past few weeks Lord Rothschild, and after him a host of lesser luminaries, have been communicating to journalists their views as to the explanation of the present remarkable price of Consols, which (now that they are quoted *ex. div.*) have fallen below 84, which formed the low-water mark of the 3 per cents. at the time of the crisis in 1866, when Overend, Gurney & Co. suspended payment on May 11th, the memorable "Black Friday," with liabilities amounting to something approaching twenty millions sterling. To compare the price of a 3 per cent. stock with the price of a 2½ per cent. stock does not strike us as being in itself a particularly intelligent proceeding, and although there is doubtless a good deal to be said in favour of the theory that present prices may, to some extent, be attributed to political causes, yet it must be obvious even to the most prejudiced party man that these do not, and in the nature of things could not, exhaust the problem. At the same time obviously such statements have a disquieting effect upon the investor and tend to further depress prices. The chief explanation of the price of gilt-edged securities must, of course, be found in the current value of money, which in its turn depends upon the amount of capital available and the amount of capital demanded for purposes of trade and finance. It has further to be borne in mind that the most powerful reason why Consols for so long maintained a high figure was that they represented a convenient form of temporary investment, immediately realisable in all probability without loss owing to fluctuations of price. So long as the general tendency of prices was upwards these conditions were increasingly evident, but during the past two or three years there are probably few securities that have caused their investors more loss than Consols, the steady shrinkage in capital values having indeed decidedly exceeded the interest earned. Under these circumstances it is not particularly surprising that investors should turn elsewhere for suitable investments, nor are they likely to find much difficulty in finding stocks that will yield them a higher rate of interest than Consols, with decidedly greater security as to capital. When, however, the supply of capital for investment in gilt-edged securities again increases, there will no doubt be a brisk demand for Consols, the tendency to which we have referred will be reversed, and the loss of the past few years quickly recovered. Exactly when this is likely to take place no one, of course, can foretell, but that it will occur is the general belief of those who have no particular wish to make political capital out of a purely financial problem.

The Law's Delays. The Lord Chancellor announced last week in the House of Lords that he had appointed a Committee to consider the working of the Judicature Acts, and to report on necessary alterations in the constitution and practice of the Courts. This

Committee will consist of seven Judges, three King's Counsel, one member of the Junior Bar, one Master of the Supreme Court, and two practising solicitors. Lord Macnaghten has consented to act as chairman, and other members of the Committee will be the Lord Chancellor himself, the Lord Chief Justice, the Master of the Rolls, the President of the Probate and Admiralty Division, Mr. Justice Bigham, Mr. Justice Warrington, and the Attorney-General. No doubt much may be expected from a Committee so constituted, but it occurs to us that its *personnel* is somewhat top-heavy, and that the addition of some three or four more junior counsel and perhaps another couple of solicitors would materially strengthen its constitution upon the practical side.

Advice to Municipal Students.

Our contemporary the *Municipal Journal* has recently opened a column headed "The Students' Corner," with the object of assisting in their studies students and others to whom the examinations of the Institute of Municipal Treasurers and Accountants, and other examinations of which municipal and local government law form part, may mean promotion in their status in the municipal service. All this is not particularly lucid, but it is clearness itself compared with the following hints as to the proper treatment of bad debts, which we reproduce exactly as given by our contemporary. At the same time we cannot help wondering what the municipal student will be able to make of them. A little lower down the writer speaks of the "Impressed" Petty Cash Account—a new form of nomenclature which will probably not fail to impress the reader, although it will be difficult for him, with this novel form of spelling, to trace the origin of the system:—

> "Treatment of bad debts:—
>
> Bad and irrecoverable debts arise with corporations, exactly as with all business houses, from secret removals, failures, dishonesty of officials and tradespeople, overcharges as to quantities, and arithmetical errors.
>
> To clear the books:—1. Where reserve has been made: Debit reserve, credit debtor; 2. Where no reserve has been made: Debit reserve, bad debts accounts, credit debtor; P. & L. account, credit bad debts.
>
> To create reserve: Debit P. & L. account, credit reserve for bad debts and allowances account.
>
> Three methods of treating bad debt recovered:—1. Credit reserve account; 2. Credit profit and loss account; 3. Credit capital account direct."

The Control of Public Services in New York.

Quickly on the heels of our all too brief glimpse of the situation in America as regards corporation control, given in our last issue, comes the report of the passing of the Public Service Commissions Bill (popularly known, says *The Financial News*, as the Public Utilities Bill) through the New York State Legislature. At present—or until a few days ago, to be more correct—there are several Commissions in existence dealing with the railroad, gas, and electricity services, and for these the measure in question substitutes two Public Service Commissions of five members each, one for the city district and the other for the remaining portion of the State. The powers given to these Commissions are very autocratic, and, to our insular minds at least, unreasonable. They may, the report says, direct a railway company or a tramway undertaking to increase the number of trains or cars, change the motive power, alter the time or times of departure and arrival, and generally make any other orders in this direction which they consider necessary! The Commissions are to decide the "just, reasonable, "safe, adequate, and proper regulations, practices, "equipment, appliances and services" which are to be used in connection with the transport of passengers and goods, &c. The width of application seems to be enormous, and one comes to the conclusion that the State might just as well, so far as its own boundaries are concerned, run the railways itself. In addition to these Slavonic powers, we are told that no company can acquire or hold stock in any similar undertaking save by the authority of the Commissioners, and no company of any description may hold more than 10 per cent. of the stock of any railway or tramway in the State, but this provision is not retrospective. In addition to all this it is provided that the value of the "franchise"—which is the *right* to operate in the State—must not be capitalised, thus removing one of the many excuses that exist in the Land of Dollars for stock "watering." Furthermore, where an amalgamation takes place, the total stock of the new concern must not exceed the stocks of the combined companies, plus any actual cash payments. Of course, the origin of all this is the recent industrial history of the United States, with its distressingly callous catalogue of corruption, but whether the remedy will tend to reform time only can prove. Much might be done if the *personnel* of the Commissions could be assured of competency and the moral qualities, but that seems almost too much to hope for, so far as the public service of America is concerned, at present.

Questions in the House. Two interesting questions were dealt with in the House of Commons last week. In the one case the Chancellor of the Exchequer replied to Mr. Fell's question, mentioned in our last issue, to the effect that he was aware that a very considerable depreciation had taken place in securities generally since the 1st January 1906, but he doubted whether any useful conclusion could be based on statistics showing the precise sum by which an arbitrarily selected list of stocks might have fallen in value within an arbitrarily selected period, or by comparing that sum with the total cost of the South African or any other war. He was not prepared at the present time to make any definite announcement as to the mode of application of the Sinking Fund during the current year. In the other instance Mr. G. D. Faber asked the Chancellor of the Exchequer by what date individuals were required by the law to make their returns for the purpose of the assessment of income-tax; whether the law was the same in England and Scotland; and whether the practice in both countries was the same. Mr. Asquith's reply was to the effect that returns are required by law to be made within such period not exceeding twenty-one days from the date of the notice requiring that return as may be fixed by the notice. There was no statutory date for the issue of the notices, but they were generally issued during April and May in England and Scotland, and the full period of twenty-one days was also allowed in both countries.

Bankruptcy Law Amendment Committee. The thirty-ninth meeting of the Bankruptcy Law Amendment Committee was held on June 6 at the Royal Courts of Justice under the presidency of Mr. Muir Mackenzie, the chairman. The sitting was mainly devoted to the examination of Mr. Peter Morison, a solicitor before the Supreme Courts in Scotland, who explained to the Committee the relevant provisions of the Scottish Bankruptcy Acts now in force, and informed the Committee of the principles and operation of those Acts in reference to the matters referred to the Committee for consideration. The Committee desire to make it known that, according to present arrangements, they do not propose to take any further evidence after Wednesday, July 3 1907, and, accordingly, any person who may wish to tender evidence should at once communicate with the Secretary, Mr. Walter T. Kaye, at 1 Horse Guards Avenue, S.W.

The Law Society and Solicitors' Accounts. The Committee appointed to consider and report upon the proposed reforms has finished its work, and the report is expected to be circulated by June 20. A strong majority of the Committee have pronounced in favour of reform in the methods of dealing with trust and other funds, and a motion will be brought forward at the annual Council election meeting on July 5 that their report should be adopted. The reform party in the Law Society are also bringing forward several independent candidates for election on to the Council this year in the place of members who are retiring by rotation.

The Insurance of Warships. An interesting article in *The Financial Times* points out that while British and foreign warships of all types are invariably uninsured during the time they are in commission, it is not generally known that, in most cases, they are covered to the extent of their full value while under construction or repair. Having regard to the general aggregate value of these vessels, and to the large proportion of the insurance which is placed with British underwriters, the importance of this class of business can easily be recognised. It is said that in warship insurance underwriters appreciate the business in proportion to the value represented by each vessel, and, therefore, battleship risks are favoured, and we are told that lines of £10,000 and £20,000 on vessels of the "Dreadnought" class are willingly accepted. It is interesting to note that, as a general rule, the hull, machinery, armour, and armament are each separately insured, this, of course, being due to the fact that the policies take effect at different times, as the various parts are added to the vessel; but they ultimately combine to form one complete insurance, running concurrently and expiring simultaneously. This class of business does not seem to be confined to British warships, for orders are said to have been booked from the United States, France, and Germany in connection with the warships of those countries. Foreign warships under repair in English yards are also covered, and warships built in this country for foreign countries are also dealt with. The rates of premium are said to vary according to the class of vessel, and the nationality of the yard in which she is laid down, there being no fixed tariff. It is also pointed out that so good an opinion is held of the efficiency of the various naval contractors in this country that the nominal premiums which are charged leave no margin for a total loss, an

event which is, of course, quite possible during trial trips.

The Chartered Institute of Secretaries. A correspondent of a financial paper recently stated that the Chartered Institute of Secretaries allowed persons to sit for the examinations who were not secretaries. Mr. Russell Day, the Secretary of the Institute, points out that this is a general statement, and in the absence of qualification is calculated to mislead both the public and intending candidates. He gives the following particulars with regard to the examinations in question:—

(1) Candidates for election as Fellow, in addition to passing the Final Examination, must have had eight years' experience with joint-stock companies or other public bodies, the last three years as secretary.

(2) Candidates for election as Associate, in addition to passing the Intermediate Examination, must have had six years' experience with joint-stock companies or other public bodies (as Clerk, Registrar, Accountant, or Assistant-Secretary). The Council may—in either case—permit a candidate to sit before this term of experience has been completed, but until it has been completed he cannot be elected.

(3) Candidates for the Preliminary Examination, which is an educational test, need not be attached to any company or public body.

In a further communication the correspondent hastens to say that he did not imply that admission to the Chartered Institute of Secretaries was possible for unqualified persons. His object, as he himself says, was to compare the practice of that Institute and the Institute of Actuaries with the practice of the Society of Accountants and Auditors, and to point out that while the two former bodies will admit to membership persons who are not, and who may never act as, secretaries or actuaries, the latter Society, in some cases, refuses to admit persons who are actually acting as accountants. There is generally a rather obvious moral hanging on the tail of these complaints, but we do not know how far the rule applies in this instance. Investigation of the complete facts could alone settle that point.

Reserve Funds and Depreciation. A correspondent of *The Financial News* considers that "£500,000,000 "would be a conservative estimate of the entire Reserve "Funds set aside for contingencies in this country by "banks, trading, telegraph, and other concerns." He says that Reserve Funds are generally more ornamental than useful, for they are never drawn upon, and as, each half-year, further sums are added to the Reserves, in addition to depreciation being provided for, it follows that the larger the Reserve Fund the more the shareholders have to find. It is then said that the first consideration about a Reserve Fund should be that the principal be intact, the amount of interest thereon being a secondary consideration. This being so, the best policy for the concerns which are mentioned is to invest in short-dated securities, such as the National War Loan, Exchequer and Treasury Bills, Corporation Bills, Irredeemable Debentures, and so on, instead of gilt-edged securities, the value of which is just what they will fetch. Our contemporary's correspondent adds that the borrower must always be the servant of the lender, and when the Government, or anyone else, finds that lenders will only accept short-dated securities, these will be forthcoming with plenty to pick and choose from.

Current Law.

Curtice v. London and Midland Bank, Lim.

K.B.Div.

On appeal from decision of Judge of Marylebone County Court that a telegram forwarded by a customer to his bankers stopping payment of a cheque is an effective stoppage of payment, even although the telegram did not actually reach the bankers' hands, held, that payment of a cheque may be countermanded by telegram, but Court differed as to effect of telegram not actually reaching its destination—Darling, J., upholding decision of County Court Judge, Lawrence, J., dissenting.—(*Times*, June 10 1907.)

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

English Companies in France.—Oppressive Regulations.

(To the Editor of The Accountant.)

SIR,—The decree of the 27th February 1907, following upon Article 3 of the "Loi des Finances" of the 30th January 1907, has created considerable hardship upon English and foreign companies whose securities are issued, offered for sale, or introduced upon the French market.

Article 3 of the above law enacts that every company, whether French or foreign, whose securities are issued, offered, or introduced as above, must publish certain particulars in the form of a notice in the Bulletin annexed to the *Journal Officiel*.

With regard to foreign companies, the law requires, in addition to the notice, that they should advertise therein the full text of the memorandum and articles of association translated into French, before allotting any shares, &c.

The object of the above provision is praiseworthy enough, and is doubtless inspired by the English Companies Act of 1900, but the cost of these insertions as fixed by the Decree of the 27th February 1907 is very heavy, the charge being two francs per line. In the ordinary French legal journal existing prior to the Bulletin annexed to the *Journal Officiel*, and containing official and authorised advertisements recognised as such by the city of Paris, the cost is 25 centimes per line only. It is therefore difficult to comprehend why the recent decree has fixed the cost of the insertions in the Bulletin above referred to at two francs per line; it is simply inflicting an additional burden upon limited liability undertakings.

The length of the notice which French companies are compelled to insert rarely exceeds 150 lines, the cost being about 300 francs; but as regards English companies, who are compelled to print not only a short notice as above, but also in extenso the memorandum and articles of association, the length of the whole often exceeds 2,000 lines, and the cost thereof in such a case amounts to about 4,000 francs, or £160.

The tariff of the above insertions in the Bulletin annexed to the *Journal Officiel* should be reduced both as regards French and foreign companies. At all events, should the tariff be not lessened as regards the *notices*, which both French and foreign companies must publish, as the latter are bound furthermore to add their *memorandum and articles of association*, and as in consequence of such enactment they are already on an unequal footing with French companies, it is desirable by way of compensation that the cost of such additional obligation should be reduced to 25 centimes per line, this being the tariff of other legal journals other than the Bulletin annexed to the *Journal Officiel*.

I am, Sir, your obedient servant,

P. PELLERIN,
Licencié en droit.

56 *rue la Boëtie, Paris.*
3rd June 1907.

Registration for the Profession.

(*To the Editor of The Accountant.*)

SIR,—We are reminded by the accountancy press that a Joint Committee of the Councils of the Institute and the Society is at work on a scheme of registration for the profession, and it is admitted that the gates must be opened fairly wide at the beginning. There will be little or no opposition from those practitioners who are members of neither Institute or Society, seeing that registration cannot but improve the position of all but the unworthy. These latter indeed will find, no doubt, the discipline—inevitable under registration—extremely irksome, but their squirms will be complacently regarded by decent folks.

As a qualified practitioner of some years' standing I should like to say that I find accountants, competent and reputable, at present outside any accountancy organisation. Societies there are which would promptly annex them, and which, indeed, are repeatedly canvassing them, but without avail. The gentlemen concerned are wisely conscious that membership of some bodies is the reverse of recommendatory. I should like to be sure that when registration is accomplished there will be provided some ascent to full qualification other than articled service *for those already in practice.*

It has been our own grievous jealousies which have allowed men to take up practice without formal qualification, but in closing the door for the future let us give every inducement to those whom we have to admit to become worthy sons of the house. Make the tests of character and competence as stringent and lengthy as you will, but do not impose the one condition they would be unable to fulfil—viz., articled service under another accountant.

It ought to be, and I hope is, the aim of the Joint Committee to make within a few years a solid phalanx of all worthy practitioners, to the great advantage of the community and the advancement of the profession.

Yours truly,

8th June 1907. NORTHERN.

Prevention of Corruption Act and Auditors' Duties.

(*To the Editor of the Accountant.*)

SIR,—I shall be glad to have your opinion with regard to the duties of auditors when reporting to shareholders on the annual accounts of companies in which large amounts are paid as commissions.

I have in my mind the instance of a company whose business mainly consists of repairs to property, and

who charge in their Profit and Loss Account a considerable sum under the head of Discounts and Allowances, which sum, I have good reasons for thinking, is expended in the way of commission to employees of the company's customers. No details are given in the books, the yearly amount being certified by two of the directors.

There does not appear to have been any discussion in your pages with regard to matters of this kind, and I shall be glad to have the views of others on the matter.

Yours truly,
AUDITOR.

Gas Companies.

(*To the Editor of The Accountant.*)

SIR,—Have any of your readers had any experience of a case similar to the following:—

A gas company was created in 1868 under the Companies Act, 1862. They subsequently found it necessary to acquire Parliamentary powers, and therefore obtained a provisional order in 1892, which incorporated the provisions of the Land Clauses Acts and Gas Works Clauses Acts, 1847 and 1871, but no mention is made of the Companies Acts.

The capital authorised under the provisional order is £20,000, while the capital registered under the Companies Act is £10,000 (prior to the order in 1892); a further increase in capital of £8,000 is now meditated. Has the present increase in capital to be registered under the Companies Acts, or is an issue subsequent to 1892 governed solely by the terms of the Provisional Order?

I ask you to publish this letter, knowing from experience the value of your Correspondence column for an interchange of views.

Yours truly,
7th June 1907. ROMANO.

Depreciation, with Special Reference to the Accounts of Local Authorities.

(*To the Editor of the Accountant.*)

SIR,—Professor Dicksee's recent lecture has, as you say, aroused a wide interest, and when we recall the papers read on previous occasions by Mr. Clare and Mr. Ashley, we may be grateful to the Chartered Accountant Students Society of London for giving Municipal Finance and Accounts such a prominent place in its proceedings.

Is it too much to hope that the Professor will, on some not distant occasion, resume his consideration of the question and extend the circle of his observation? There are one or two aspects of the depreciation problem which I should greatly like to see handled by him or some other authority and discussed by experts, and with your kind permission I will endeavour briefly to indicate them.

It seems to me that, in estimating the reserves to be set aside during the currency of the debt upon a trading undertaking before aid is given to the rates, an essential factor in the calculation is our view of the position in which the undertaking should stand financially and otherwise at the date when the debt is finally discharged. Determine this, and the necessary means can be adopted. Differ as to the end, and agreement as to the means is impracticable. Conflicting ideals have perhaps been responsible for much of the controversy of the past.

The question may, therefore, well be asked whether any fiduciary relationship exists between the ratepayers to whom Parliament has granted powers to establish a trading venture and their successors? Are they in any sense accounting parties in respect of that venture to the next generation?

By way of illustration let us suppose the Professor to be called in as umpire between ratepayers holding opposite opinions on this point at a period when an important municipal trading undertaking has just been freed from debt. A new-comer into the town is scandalised to find that the gas works (say) are not in all respects up to date in their equipment, and though yielding a fair profit are carried on upon old lines and might with advantage be modernised and made more profitable. There is, however, no Reserve Fund in hand to meet the necessary expenditure, and their current going value is reported by experts to be considerably below their first cost. The retiring Chairman of the Gas Committee, however intervenes, and claims that the new-comer has no valid ground of complaint. "We" (says the Chairman) "set up these works forty "years ago under Parliamentary sanction, we ran all "risks, and have fully repaid the cost, applying the "surplus in aid of the rates, we have in fact fully dis-"charged every obligation laid upon us by Parliament, "and now we hand on to you the works free of debt "and in a moderate state of efficiency, and even if you "do require to borrow £25,000 to bring them in all "respects up to date you are relatively much better off "than we were when we borrowed £100,000 to build "them in the first instance." Upon Professor Dicksee's award depends the view to be formed of the scale upon

which depreciation ought to be provided for during the currency of the loan in the case of such an undertaking.

May I point out that the question I am submitting is an eminently practical one, and ultimately resolves itself into this, What advice are we as Chartered Accountants to give to our municipal clients on the subject? Are we to tell them that their responsibilities for the maintenance and renewal of their trading undertakings are limited to the periods granted for the repayment of debt, and that a scheme of outlay and reserves which is estimated to uphold the undertaking until the debt is discharged and spreads the necessary cost fairly over the period meets all the circumstances of the case (and here comes in the value of Professor Dicksee's recent lecture), or are we to recommend such reserves as will be adequate not only to keep the works in the very front rank and guard against obsolescence, but also to accumulate a fund at least equal to the difference between first cost and the value placed upon them by experts at the date when the debt is paid off?

If our clients proceed to argue that their duty is defined by Parliament and quote Professor Dicksee, that "the undertaking began life with no capital of its "own but only with borrowed capital, and it is not as "a matter of law required to improve upon the "position; for were it required to do so the necessary "effect would be to compel the existing generation of "ratepayers to pay for benefits which would be enjoyed "by their successors, and this apparently is not and "never has been the policy of the Legislature as "applied to these undertakings" (*The Accountant*, p. 484), upon what grounds and to what extent are we to urge them to go beyond their statutory obligations? Do they lay themselves open to legitimate criticism by refusing to do so? and do we violate any canon of professional orthodoxy by passively acquiescing in that refusal?

Readers of *The Accountant* are, of course, aware from occasional reminders in its Correspondence columns that we perform our duties as municipal auditors under the critical eye of an eminent expert—a veritable multi-millionaire in the sum total of his valuations—who, it appears, notes with sorrow rather than anger the temerity with which (as he thinks) some of us undertake duties for which we are quite unqualified, and yearns to come to our assistance with annual valuations or reports of some kind or another. This is not new, having been pressed with much earnestness by the expert referred to upon the attention of the Joint Committee which sat in 1903 (as fully set out in the Blue Book), though singularly enough the Committee seem to have entirely forgotten it when drawing up their report, and I do not think that the idea of saddling local authorities with the annual cost of an expert valuation of each of their trading undertakings as recommended to that Committee will meet with much favour in any quarter. As I have on a former occasion advanced reasons for regarding such valuations as quite unnecessary, I will only add that the idea of our profession poaching upon the preserves of another by undertaking responsibilities of this description never entered into my head.

I am glad to notice that Professor Dicksee recommends a "Reserve (for Renewals) Fund." If money is to be set aside for future renewals by all means earmark it, but is there not sometimes a disposition to judge of the financial soundness of a municipal undertaking by the amount in its "Depreciation" or 'Renewal" Fund at any given date? This, I think, is a mistake. In your issue of May 18th (p. 669) you very pertinently remark, "that it does not necessarily "follow because there is no Sinking Fund there is no "provision for the due repayment of debt." Why? Because the debt is being paid off annually. By parity of reasoning a small Renewal Fund, or the absence of one, does not necessarily indicate that the matter is being neglected. On the contrary, there may be and often is a substantial annual expenditure going on for renewals (which I think ought to be tabulated alongside the Depreciation Fund in the annual Blue Book), and this is overlooked when the shortness of the "life" of an asset is emphasised and compared with the small amount held in reserve for future renewals.

In conclusion, is not Professor Dicksee's estimate of 48·75 years as the average effective life of an electrical undertaking too sanguine? In the provinces a maximum equated period of only twenty-five years is allowed for borrowings for such undertakings, and seeing that, according to the lecturer's table, only 5·45 of the total undertaking has a shorter effective life than twenty-five years, the inference to be drawn from his figures is that an extremely small expenditure on renewals will meet the circumstances of the case, but this, I think, is contrary to the opinion of many electrical engineers. If, however, the Professor's estimate is correct, then the period allowed to provincial authorities for repayment appears to be unduly limited. This, however, is a minor question which does not in

any case affect the general soundness of the Professor's line of argument.

Yours faithfully,

10th *June* 1907. R. F. MILLER.

Compensation Levy.

(*To the Editor of the Accountant.*)

SIR,—In reference to "Emocnixat's" letter dated 29th May 1907 possibly the sum received as compensation for the loss of future profits should be brought into the account for income-tax; but this would be very small, as the compensation is generally only sufficient to cover the capital value.

In reference to A. Fielding's letter dated 4th June 1907 I satisfied the Commissioners that the business in question was one business, not two, and this was decided in the case of *Reid's Brewery v. Male.* The company on whose behalf I appealed carries on business only with its own houses, and it was pointed out to the Commissioners that if a different class of business were carried on—viz., with free trade—upwards of 20 per cent. discount would be allowed, and that would be charged in the account for income-tax.

Yours faithfully,

London, 10th *June* 1907. DANIEL HILL.

Income Tax.

(*To the Editor of The Accountant.*)

SIR,—I am informed that a farmer who occupies his own land can claim repayment of income-tax under Schedule A if his profits are less than the assessment under that schedule. If this is so, I shall be obliged if you will give me the authority, as I am unable to find it in Murray & Carter's "Guide to Income Tax Practice."

The argument appears to be that if the lands were let there would be an income possibly equivalent to the annual value, whereas by occupying the lands himself the farmer loses a portion of the rent through making a profit smaller than the annual value.

Yours faithfully,

10th *June* 1907. BOB ACRES.

The Institute's Examinations.

(*To the Editor of The Accountant.*)

SIR,—As a candidate at a recent examination of the Institute I was impressed by what I considered the somewhat loose method employed of advising candidates of their distinctive numbers. A printed notice is despatched to the candidate, *the envelope only* bearing the latter's name and address, which do not appear at all on the enclosure, advising the recipient of the number with which he must distinguish his papers.

I do not wish to even assume that an error could possibly creep in, but should such by any chance occur it seems to me that it would remain undetected, with disaster, perhaps, to one of the candidates who has been marked on another's results in consequence; an error of placing the letter in a wrong envelope would, of course, be at once detected if it bore the candidate's name as well as number.

Yours faithfully,

10th *June* 1907. MARCUS.

Auditors and the Companies Bill.

(*To the Editor of The Accountant.*)

SIR,—I am no way cast down by the unfair tone of your remarks on my letter. I never said a word about accountants' clerks doing important audits in their spare time. What I was thinking of was cases where young Chartered Accountants who may intend to commence business within a year or two are offered auditorships. In such cases within my own knowledge, when the audits are important, the work is done by the employer's staff, in the employer's time, and the employer pockets the fee. This is quite a reasonable arrangement for the employer, as he would probably not get the audit in any case. The fee does not matter to the young accountant, but he is interested to retain the connection.

I have not the least objection to any rule an employer may make that his clerks shall not undertake audits, but I have a very strong objection to any law which will make it illegal for a Chartered Accountant to be appointed to undertake the work for which he has been specially trained. Since, however, you say that such a law would have a "most desirable effect" I am more than satisfied.

Yours truly,

11th *June* 1907. SCOT.

Joint Holdings and Death Duties.

(*To the Editor of The Accountant.*)

SIR,—A lady, rather more than a year before her death, transferred her holding of shares in a certain company into the joint names of herself and her daughter. On her death they passed to this daughter by survivorship.

Should the full value of this holding appear in the Probate Account, or only one-half? And should the estate duty on this be borne by the estate or the donee?

I do not trace the point in the text-books available.

Thanking you in anticipation for a reply through your columns,

I remain, yours truly,

10th June 1907. HOLDERNESS.

Formal Receipts.

(To the Editor of The Accountant.)

SIR,—A firm which I know to have a printed form of receipt which stipulates "No other form of receipt will be recognised," invariably acknowledges the remittances of a limited company, clients of mine, by a manuscript receipt on the statement.

The secretary of the company knows, as I do, that the person signing the receipts is either the cashier, or, sometimes, a member of the firm, and does not wish to demand the formal receipt.

I shall be glad to hear through the medium of your esteemed journal what the position of the company is in this matter, and whether I am justified in accepting these receipts.

Yours truly,

10th June 1907. QUÆRE.

The Question of Depreciation.

(To the Editor of the Accountant.)

SIR,—The primary object of the paper recently read by me before the Institute of Directors on this question was to invite serious consideration of the best available means for scientifically measuring and recording the annual amount of depreciation of productive plant, which is so important a part of the operative expense of many industrial and other undertakings, and I endeavoured to suggest a principle, and indicate the necessary recording equipment, which shall leave the estimates of the economic life periods of each class of productive plant, upon which periods the measurement of the depreciation allowance is based, to be determined in all cases by the most suitable persons available, who will be held responsible for the reasonable accuracy of their original and after-amended estimates; for it will be easy, as well as needful, from time to time, during the life period of any class of productive plant, to inspect the then condition of that class, and to give effect, in the proposed Register of Plant to any altered and unexpected conditions which may then be observed, and this without any clerical confusion.

I am therefore anxious that your interesting editorial comments in the current issue of *The Accountant*—which are naturally directed chiefly to the consideration of the novel and rather startling suggestion that the Register of Plant should be statutory and open to inspection, to which suggestion, however, I do not attach much importance at the present time—shall not cause to be overlooked the main object of the paper, which is to endeavour to assist directors and others in securing some systematic means of measuring annual depreciation in place of the rough and ready, and I think quite inadequate, treatment which the subject at present receives. One important requirement of the proposed method is the analysis under suitable heads of capital outlay for record in the Register of Plant. It would be most interesting to hear the views of other accountants on the question, and as to the urgency of the growing need for the use of better and more regular methods.

Yours faithfully,

London, 11th June 1907. P. D. LEAKE.

Points in Company Procedure.

(To the Editor of The Accountant.)

SIR,—(1) The "A" Company and its nominees hold all the shares in the "B" Company, and the directors of "B" are also directors of "A." In April, the managing director of "B" Company writes a letter to the "A" Company saying that a dividend at the rate of 5 per cent. for the half-year ending 31st March has been declared by the "B" Company. "A" Company takes credit for this in its Profit and Loss Account for the year ending 30th April. The dividend is paid in varying amounts from time to time in the next six months. No accounts are printed, but presumably they, together with the auditor's report, have been seen by the directors of "B" Company. A similar proceeding takes place the following year. The "A" Company's accounts are audited in May, before any portion of the dividend has been received, What is the position of the auditor of "A" Company? Should he pass the accounts without comment, or is he entitled to see the accounts of "B" Company, and also the auditor's report to the shareholders thereupon?

(2) A company, after many prosperous years, meets with a reverse, whether temporary or permanent is doubtful, and makes a loss for the year just completed. Besides a Reserve Fund, it has a balance of profit (£10,000) brought forward from the previous year. Presumably, no dividend should be paid upon the

cumulative preference shares; but, setting aside the question of prudence, is it possible for the company to pay a dividend on its ordinary shares—

(*a*) Out of the difference between £10,000 and the year's loss?

(*b*) Out of the £10,000 before wiping out the loss for the past year?

(3) Is it necessary for a company to issue allotment letters—

(*a*) To the signatories to the memorandum of association for the number of shares for which they sign?

(*b*) To the vendor for the shares which he has agreed to take in part consideration of the purchase-price?

Hoping that you will be able to find space for this letter in your valuable columns,

I am, yours faithfully,

12th June 1907. CAUTIOUS.

Brewery and Income Tax—Compensation Charge.

(*To the Editor of the Accountant.*)

SIR,—I should like to point out to "Emocnixat" that although fire insurance premiums are a charge against profits, when making up income-tax returns, yet anyone who has so deducted premiums would not include in his profits any sum paid him by a fire insurance office, supposing he had a fire.

Yours faithfully,

ERNEST I. HUSEY.

London, 12th June 1907.

Birmingham Chartered Accountant Students' Society.

AT the annual meeting of the above Society, held on the 28th ult., the following were elected as officers:—

President—Mr. J. Howard Heaton, F.C.A.

Vice-Presidents—Messrs. Frank Impey, F.C.A., and Arthur Chapman, A.C.A.

Honorary Treasurer—Mr. Allen K. Edwards.

Honorary Librarian—Mr. R. Graham Squiers.

Honorary Secretary—Mr. Stanley Heald.

Representatives on Joint Committee of Union of Chartered Accountant Student Societies—Messrs. A. K. Edwards, R. G. Squiers, and S. Heald.

The Sheffield Chartered Accountants Students' Society.

Report of the Committee presented to the twenty-fourth annual general meeting of the Society, held at the Library, Hoole's Chambers, Bank Street, Sheffield, on the 13th June 1907.

REPORT AND ACCOUNTS.

Your Committee have pleasure in submitting the twenty-fourth annual report and statement of accounts for the year ended 30th April 1907.

During the year 6 ordinary members have resigned from, and 1 honorary member and 8 ordinary members been admitted to, the Society, giving a total membership of 116, 3 more than the previous year, of whom 58 are honorary and 58 ordinary members.

The average attendance at the ordinary meetings of the Society has been 18, a decrease upon last year of 2. The Committee hope the members will endeavour to attend frequently, and keep up the attendances, especially when lecturers take the trouble to come, often from other towns, to give the benefit of their experience. The attendance does not compare favourably with the membership.

The following are the programmes of the Autumn, 1906, and Spring, 1907, sessions:—

1906

Oct. 10.—Inaugural Dinner, King's Head Hotel.

" 17.—Lecture, "The Elements of Profit-Sharing applied to Commercial Ventures." Mr. A. F. Dodd, F.C.A., of London.

" 26.—Joint debate with Liverpool Chartered Accountants Students' Association, at Liverpool. Subject, "That it is both desirable and necessary for the existing Income Tax Procedure to be amended as follows:—

(*a*) The application of three years' average system to all classes of income.

(*b*) The allowance for Depreciation to be a compulsory instead of a discretionary deduction, and to be calculated at uniform rates upon original values.

(*c*) The certification by qualified accountants of all returns exceeding £500."

(Arranged by the Union of Chartered Accountant Student Societies, and attended by selected representatives from the Sheffield Society.)

" 31.—The Prize Essay was read by Mr. Stewart Green on "The Difference in Constitution and Relative Advantages of Private Firms and Limited Companies, and the Matters of Account involved by a Conversion." The discussion afterwards was opened by Mr. Pepper, winner of the second prize.

Nov. 14.—Lecture, "The Law as to Partnership." Mr. L. J. Kirkham, Solicitor, Sheffield.

,, 28.—Lecture, "Further Notes on the Criticism of Accounts." Mr. W. R. Hamilton, F.C.A., of Nottingham.

Dec. 12.—Joint debate with the Nottingham Chartered Accountants Students' Society, at Sheffield. Subject as above. (Arranged by the Union of Chartered Accountant Student Societies, and attended by selected representatives from the Nottingham Society.)

1907

Jan. 11.—Lecture, "A Suggestion as to the Regulation of Balance Sheets." Mr. T. A. Welton, F.C.A., of London.

,, 24.—Mock Creditors' Meeting.

Feb. 7.—Lecture, "Bills of Sale." Dr. Tinsley Lindley, of Nottingham.

,, 11.—Lecture, "Cost Accounts for Small Manufacturers." Mr. M. Webster Jenkinson, A.C.A.

,, 20.—Lecture, "The Bank of England and the Money Market." Mr. G. I. H. Lloyd, of the Sheffield University.

,, 27.—Progressive Whist Drive. Victoria Café.

Mar. 6.—Lecture, "Some Notes on Accountancy Subjects." Mr. H. P. C. Kelland, of London.

,, 27.—Joint debate with the Sheffield Law Students' Society. Subject, "That the Partnership Law should be altered to provide for Limited Partnerships."

April 11.—Lecture, "Depreciation, with special reference to the Accounts of Local Authorities." Mr. L. R. Dicksee, F.C.A., of London.

The gentlemen who have delivered lectures or opened debates deserve the best thanks of the Society, and the Committee desires to take this opportunity of expressing the same.

Also, many thanks must be tendered to the President, Mr. S. Taylor Gill, for being present in his official capacity at so many meetings, and for the interest which he has shown in the Society's welfare since he was first elected Vice-President two years ago.

On the 10th October 1906, a dinner was held at the King's Head Hotel. Mr. Gill presided over a company of 50 members and friends, and the event passed off very successfully. The President kindly defrayed the small loss on the same. This is the first dinner since 1902.

The Progressive Whist Party held at the Victoria Café, attended by close upon a hundred people, was also a most enjoyable function.

It is hoped that more joint debates, like those held with the Liverpool and Nottingham Students' Societies and the Sheffield Law Students' Society, may be arranged, so as to cement the friendship between future members of our profession in different towns, and also with our brothers of the law.

Although the general tone at the mock creditors' meeting was rather hilarious, it is thought that, in addition to providing a good deal of amusement, some lessons as to practical procedure at such a meeting were carried away by those present.

Congratulations are offered to the following members of the Society, who have been successful in the Examinations of the Institute during the past year :—

Intermediate, May 1906.

B. C. Davies (6th in Order of Merit), with Mr. A. W. Macredie, F.C.A.

J. W. Rouston, with Mr. A. J. Platt, A.C.A.

Final.

J. W. Merryweather, with Mr. G. S. Greening, F.C.A.

H. E. Roe, with Mr. C. J. Collier, F.C.A.

Intermediate, November 1906.

J. A. Clague, with Mr. T. C. Parkin, F.C.A.

A. W. Newman, with Mr. W. Brining, F.C.A.

Final.

E. H. Maleham, with Mr. J. W. Best, F.C.A.

W. Stanser, with Mr. A. E. Aizlewood, F.C.A.

The Union of Chartered Accountant Student Societies offered prizes again for essays, the subject being "The Uses "and Limitations of the Card, Loose-leaf Ledgers, and Slip "Systems in relation to matters of Account."

The prizes were :—1st, £5 5s.; 2nd, £2 2s.; 3rd, £1 1s.; and Mr. T. G. Shuttleworth offered £2 2s. to any member of this Society winning the first prize, and £1 1s. if second or third; and the Committee again offered a prize of £2 2s. to any member taking any prize in the competition.

We are glad to report that again two members of this Society have carried off prizes, which will be presented at the annual meeting, and offer our best congratulations to these gentlemen.

The successful competitors are as follows :—

1st prize	Mr. N. Doyle, London.
2nd ,, ...	,, S. P. Short, Sheffield.
3rd ,, ...	,, Stewart Green, ,,

This competition will not be repeated, owing to the lack of interest shown in it.

Six committee meetings have been held during the year, the following being the attendances of the members of the Committee :—

Mr. A. Cornthwaite, A.C.A. (Chairman) ..	2
,, Stewart Green, A.C.A.	6
,, H. J. Watson, A.C.A.	2
,, J. W. Merryweather	2
,, H. H. Tomasson	5
,, C. L. Widlake	2
,, A. W. Newman	5
Honorary Treasurer	6
Honorary Secretary	6

The football match between the Sheffield Law Students and ourselves, which is usually played in April, has had to be cancelled this year owing to difficulties of getting teams together.

All the officers and members of the Committee of the Society retire in accordance with Rule 11. The Chairman of Committee, Mr. A. Cornthwaite, A.C.A., the Honorary Treasurer, Mr. E. V. S. Pepper, and the Honorary Secretary, Mr. B. C. Davies, do not desire re-election to their former offices. Mr. J. W. Merryweather has resigned his membership of the Society, and Mr. Cornthwaite does not desire re-election on the Committee. All others are eligible to be appointed.

The accounts have been duly audited and are annexed hereto.

It will be noticed in the accounts that there is an excess of expenditure over income for the past year. The chief increase on the debit side is in lecturers' expenses. It has not been found possible, as in previous years, to obtain the services of local gentlemen, thus necessitating the procuring of speakers from other towns, including several from London.

The cost of the mock creditors' meeting has somewhat enlarged the item of printing, &c.

A. CORNTHWAITE,
Chairman of Committee.

BERTRAM C. DAVIES,
Hon. Secretary.

Dr. INCOME AND EXPENDITURE ACCOUNT for the Year ended 30th April 1907. *Cr.*

1907 April 30.	£ s d	£ s d
To Printing, Stationery, Postages, &c.—		
General Printing and Stationery	12 18 4	
Secretary's Postages, &c.	2 17 2	
		15 15 6
" Lecturers' Fees and Expenses..		10 17 7
" Working Union		2 16 6
" Subscription to Sheffield Society of Chartered Accountants for use of Library		2 16 0
" Cost of *Accountants' Journal*	8 19 3	
Less Subscriptions received	0 6 0	
		8 13 3
" Expenses Voted to those who attended the Debate at Liverpool on October 26th 1906		3 11 8
" Cost of Entertaining Guests at the Annual Dinner ..		0 13 6
" Prizes for Successful Candidates in Working Union Essay Competition		4 4 0
		£49 8 0

1907. April 30.	£ s d
By Members' Subscriptions—	
58 at 10s. 6d. each	30 9 0
" Entrance Fees—	
8 at 10s. each	4 0 0
" Profit on Whist Drive	5 5 2
" Bank Interest—*less* Commission	0 1 3
" Balance, Excess of Expenditure over Income for the year, transferred to Capital Account	9 12 7
	£49 8 0

BALANCE SHEET, 30th April 1907.

Liabilities.	£ s d
Subscriptions paid in advance	2 2 0
Prizes *re* Working Union Essay Competition	4 4 0
	£6 6 0

Assets.	£ s d	£ s d
Excess of Expenditure over Income for the year	9 12 7	
Less Balance of Capital as at 30th April 1906	9 0 6	
		0 12 1
Outstanding Subscriptions	.. ..	1 1 0
Cash at Sheffield Banking Company, Limited..	.. ..	4 12 11
		£6 6 0

We have examined the above Balance Sheet with the Books and Vouchers of the Society, and certify that, in our opinion, such Balance Sheet correctly shows the financial position of the Society as on the above date.

27th May 1907.

F. C. YOUNG, A.C.A.
J. W. ROUSTON } *Auditors.*

Leicester Chartered Accountants Students' Society.

THE sixth annual general meeting of the Society was held at Winchester House, Welford Place, Leicester, on Tuesday, the 4th day of June 1907. at 6.15 p.m.

Present: Mr. A. P. Carryer, A.C.A. (Chairman), Messrs. F. E. Dixon, A.C.A., H. F. Adams, S. Allen, H. V. Watson, F. H. Smith, S. J. Skillington, B. F. Newill, H. Barrett, R. H. Hardy, J. Curtis, and A. D. Wykes (Hon. Secretary).

Minutes of preceding meeting were read and confirmed.

The following are the

REPORT AND ACCOUNTS.

Your Committee have much pleasure in submitting their annual report and statement of accounts for the year ending the 30th April 1907.

The total membership is 52, comprising 28 ordinary

members and 24 honorary members, as against 48 at the date of the last report.

This is shown as follows:—

	Honorary	Ordinary
Members on April 30th 1906 ..	24	24
Admissions during the year ..		10
	24	34
Less: Resignations		6
Membership on April 30th 1907 ..	24	28

The meetings held have been as follow:—

Autumn Session.

1906.

Oct. 10.—Stump Speeches.

,, 24.—Debate.

Nov. 7.—Lecture: "The Preparation of Accountants' "Certificates in connection with Joint Stock Company Flotations." Mr. A. F. Dodd.

,, 8.—Joint Debate with the Birmingham Student Society, at Birmingham.

,, 21.—Ten Minute Papers, by Members.

Dec. 5.—Question Night.

,, 19.—Lecture: "Debentures." Mr. Beaumont Morice.

Spring Session.

1907.

Jan. 30.—Joint Debate with the Leeds Society, at Leicester.

Feb. 13.—Lecture: "Cost Accounts of Small Manufacturers." Mr. M. Webster Jenkinson, A.C.A., Sheffield.

,, 28.—Lecture: "Accounts of a Builder and Contractor." Mr. J. A. Walbank, A.C.A., Newcastle.

Mar. 13.—Lecture: "Branch Shop Accounts." Mr. C. H. Spencer, A.C.A., Leicester.

,, 27.—Lecture: "Income-tax." Mr. C. E. Isaacs, Retired Inspector of Taxes.

Apr. 10.—A Mock Creditors' Meeting.

The average attendance at the meetings of the Society of honorary and ordinary members has been 19.

The best thanks of the Society are due to the gentlemen who have delivered lectures, and the Committee desire to take this opportunity of expressing the same.

The Committee also wish to thank the President, Mr. A. P. Carryer, A.C.A., for his services during the year. Not only has he undertaken the duties of Chairman at nearly all the meetings, but he has also, on several occasions, personally entertained the lecturers.

The thanks of the Committee are also due to the Vice-Presidents, Messrs. J. H. Baker, A.C.A., and G. S. Bankart, A.C.A.

The following members of the Society have been successful in the Examinations of the Institute during the past year:—

May 1906.

Intermediate: F. H. H. Smith.

Final: H. F. Adams, W. S. Bell, F. E. Dixon, T. E. Rowlatt, J. R. Watson.

November 1906.

Intermediate: J. Curtis.

Final: F. S. Heath.

The classes held under the tuition of Mr. E. Huntsman, Solicitor, and Mr. D. M. Gimson, A.C.A., have been well attended, and have been successful in every way.

This session a Students' Society Library has been started, the main object of which is to provide text-books to be used in connection with the classes. Money for this purpose was raised by subscription among the members. The Committee desire to thank those gentlemen of the senior Society who contributed towards this fund.

The first dinner in connection with the Society was held at the Grand Hotel on Wednesday, the 17th day of April 1907. There were 29 members present, and a very pleasant evening was spent.

The joint debates held under the auspices of the Working Union proved highly successful, ten of our members visiting Birmingham, and six members of the Leeds Association coming to Leicester.

In accordance with the rules, the Officers, Committee, and Auditors retire.

The Hon. Secretary does not desire to offer himself for re-election.

All the Committee except Mr. F. S. Heath are eligible for re-election.

On behalf of the Committee,

F. E. Dixon, *Chairman.*

A. D. Wykes, *Hon. Secretary.*

May 24th 1907.

It was moved by the Chairman, seconded by Mr. Dixon, and resolved, that the report of the Committee and the accounts be adopted.

On the proposition of Mr. Dixon, seconded by Mr. Watson, it was agreed that the sum of £10 be transferred from General Account to the Students' Library Fund, and that the Library Committee be empowered to expend the same in purchasing new books.

On the motion of Mr. Hardy, seconded by Mr. Adams, it was unanimously resolved that Mr. J. H. Baker, A.C.A., be elected President for the forthcoming year.

Proposed by Mr. Dixon, seconded by Mr. Wykes, and resolved, "That the very best thanks of the meeting be "given to Mr. A. P. Carryer, A.C.A., the retiring President, "for all his services to the Society during the past two "years." Mr. Carryer had taken a personal interest in all the members of the Society, and it was the wish of the meeting that their appreciation be recorded.

Mr. Carryer, in a few words, expressed the pleasure it had given him to be of service to the Society.

On the proposition of Mr. Adams, seconded by Mr. Watson, it was resolved that Messrs. A. P. Carryer, A.C.A., and F. W. Preston, A.C.A., be elected Vice-Presidents for the coming year.

Proposed by Mr. Dixon, seconded by Mr. Wykes, and resolved, that Mr. H. H. Smith be appointed Hon. Secretary.

Mr. Smith returned thanks for the honour conferred on him.

On the motion of Mr. Carryer, seconded by Mr. Hardy, a vote of thanks was accorded to Mr. Wykes, the retiring Secretary, for his services during the past year.

On the proposition of Mr. Dixon, seconded by Mr. Allen, it was resolved that Mr. H. V. Watson be appointed Hon. Treasurer for the coming year.

It was proposed by Mr. Curtis, seconded by Mr. Adams, and resolved, that the following gentlemen be elected to serve on the Committee:—Messrs. F. E. Dixon, A.C.A., A. D. Wykes, R. H. Hardy, S. Allen, and H. Pateman. At the same time a vote of thanks was given to Messrs. F. S. Heath and H. F. Adams for their services on the Committee during the past year.

On the motion of Mr. Skillington, seconded by Mr. Adams, it was resolved that Messrs. J. Curtis and W. H. Cox be appointed Hon. Auditors for the coming year.

The meeting terminated with a vote of thanks to the Chairman for presiding.

Summary of Receipts and Payments for the Year ending April 30th 1907.

Receipts.

		£ s d	£ s d
1906 April 30.	To Balance—Cash in hand	0 1 0	
	Cash at Bank	8 10 3	
			8 11 3
1907 April 30.	Subscriptions—		
	Honorary Members	14 3 6	
	Ordinary Members	14 3 6	
			28 7 0
	Grant from Leicester Chartered Accountants' Society		10 0 0
	Subscriptions to *Accountants' Journal*		5 2 0
	Subscriptions to Joint Transactions		3 5 0
	Bank Interest		0 4 0
			£55 9 3

Payments.

	£ s d
By Hire of Rooms for Meetings	2 12 8
Lecture and Debates Expenses	13 18 11
Leicester Chartered Accountants' Society for use of Library	5 0 0
Union of Chartered Accountant Student Societies (6d. per head, 48 members)	1 4 0
Printing and Stationery	6 4 9
Postage and Sundries	1 4 7½
Accountants' Journal	5 2 0
Joint Transactions	3 2 6
Balance—Cash in hand 8½	
Cash at Bank 16 16 4	
	16 17 0½
	£55 9 3

Summary of Receipts and Payments in respect of Coaching Classes, April 30th 1907.

Receipts.

		£ s d	£ s d
1907 April 30.	To Cheque from Institute in respect of last year's classes	33 0 0	
	Less Balance on last year's Accounts	32 12 9	
			0 7 3
	Subscriptions 1906-7		43 1 0
			£43 8 3

Payments.

		£ s d	£ s d
1907 April 30.	By Hire of Room for Classes		3 3 0
	" Printing and Stationery		1 7 8
	" Postage and Sundries		0 18 7
	" Lecturer's Fees—Mr. E. Huntsman (⅓ fees)		14 2 0
	" Balance in Bank		23 17 0
			£43 8 3
	Liabilities—Mr. Huntsman	14 2 0	
	Mr. Gimson	31 10 0	
		45 12 0	
	Less amount due from Institute ..	33 15 0	
		11 17 0	

Summary of Receipts and Payments on Account of the "Students' Library."

Receipts.

		£ s d
1907 April 30.	To Subscriptions	25 14 6
	Balance	0 10 8
		£26 5 2

Payments.

		£ s d
1907 April 30.	By Book-case	2 15 0
	" Books Purchased	22 5 4
	" Printing	0 18 3
	" Sundries	0 6 7
		£26 5 2

Examined and found correct.

H. H. Smith,
Hon. Treasurer.

W. S. Bell,
S. J. Skillington, } *Hon. Auditors.*
24/5/07

The Liverpool Chartered Accountants Students' Association.

THE twenty-fourth annual meeting of the above Society was held in the Library, 3 Lord Street, Liverpool, on June 6th 1907, Mr. Kenneth Cook, A.C.A., in the chair. About 25 members were present.

The following are the

REPORT AND ACCOUNTS.

GENTLEMEN,—The Committee have pleasure in presenting their report for the year ended 30th April last.

During the year 17 members have been elected and 19 members have resigned.

The Association now consists of 80 honorary members and 103 ordinary members, making a total of 183.

The Committee take this opportunity of thanking the gentlemen who have so kindly given their services in preparing and delivering the lectures at the various meetings during the year.

The following is a list of the meetings:—

1906. AUTUMN SESSION.

Oct. 16.—Annual Dinner. President's Address.

,, 26.—Joint Debate with the Sheffield Chartered Accountants Students (as arranged by the Union of C.A. Student Societies). Subject, "Income Tax."

Nov. 8.—Lecture, "Some Notes on Income Tax." Mr. Roger N. Carter, F.C.A. (Joint Author of "A Guide to Income Tax Practice.")

,, 22.—Lecture, "An Executor Trustee." Mr. G. H. Ashworth, A.C.A.

Dec. 6.—Lecture, "Bills of Exchange." Mr. A. T. Miller.

1907. SPRING SESSION.

Feb. 7.—Lecture, "Cost Accounts for Small Manufacturers." Mr. M. Webster Jenkinson, A.C.A.

,, 28.—Lecture, "Bank Bookkeeping." Mr. J. Watson (Lloyd's Bank.)

Mar. 14.—Lecture, "Municipal Corporation Accounts." Mr. W. A. Caldwell.

,, 20.—Debate with Liverpool Law Students' Association.

The average attendance at the meetings, excluding the dinner, was 35.

The annual dinner, which was held at the Exchange Hotel in October, proved to be a great success in every way, 64 members and friends being present. The Committee note with pleasure that the increased support given to the annual dinner in recent years is being fully maintained, but they think there is room for further improvement.

The educational classes were altered in certain respects during the last year, and the Committee are glad to note that the attendance of the members at such classes has increased.

The following members were successful in passing their examinations during the year:—

Final, May 1906.

R. E. Bell (with Messrs. J. S. Harmood Banner & Son), Liverpool.

W. P. Plummer (with Messrs. Davidson & Cookson), Liverpool.

T. Robson (with Messrs. Chalmers, Wade & Co.), Liverpool.

Intermediate.

D. J. Ward (with Messrs. Davidson & Cookson), Liverpool. 13th in order of merit.

J. H. Higson, Junr. (with Messrs. G. E. Holt & Sons), Liverpool.

W. J. Holgate (with Messrs. Stubbs & French), Liverpool.

H. Madge (with Messrs. Chalmers, Wade & Co.), Liverpool.

H. A. Patterson (with Messrs. Dawson, Langley, Chevalier & Graves), Liverpool.

J. L. Thornton (with Mr. F. Hilditch), Liverpool.

Final, November 1906.

F. R. Raymont (with Messrs. Dawson, Langley, Chevalier & Graves), Liverpool. 6th in order of merit.

R. A. Ledgard (with Messrs. Lloyd & Walker), Liverpool.

R. Lees (with Messrs. Sadler & Sutcliffe), Liverpool.

Intermediate.

A. E. Jones (with Mr. W. J. Glass), Liverpool. 2nd in order of merit.

W. F. Ewbank (with Messrs. French, Ormrod & Co.), Liverpool. 10th in order of merit.

H. T. Brown (with Messrs. Lewis & Mounsey), Liverpool. 13th in order of merit.

P. M. Hendrie (with Messrs. G. E. Holt & Sons), Liverpool.

R. Killip (with Messrs. French, Ormrod & Co.), Liverpool.

J. Taylor (with Messrs. Deane & Davidson), Liverpool.

R. S. Terry (with Mr. W. F. Terry), Liverpool.

C. A. Watson (with Messrs. Sadler & Sutcliffe), Liverpool.

Our best thanks are due to Mr. Arthur F. Dodd, F.C.A., and Mr. Herbert W. Bowler, A.C.A., for their services on the Joint Committee of the Union of Chartered Accountant Student Societies during the past year.

The question of obtaining larger premises for the Library has been carefully considered by your Committee, and the Institute have promised an increased grant on certain conditions. The Committee think there is every prospect of suitable premises being obtained during the present year.

The Treasurer's statement of accounts for the past year, duly audited, is annexed.

HERBERT W. BOWLER, *Chairman.*

WM. L. EVANS, *Hon. Secretary.*

Dr. In Account with S. M. Byres Hill, Hon. Treasurer, for the year ending 30th April 1907. *Cr.*

1905-1906 £ s d			£ s d
	To General Expenses—		
1 0 0	Annual Meeting	£1 3 0	
12 2 4	Printing and Stationery ..	12 11 0	
12 14 6	Sundry Expenses	11 0 6	
			24 14 6
	" Prizes Account—		
	Cost of Books awarded to Members who		
9 9 0	obtained Honours at Examination ..		8 8 0
	" Library Fund—		
	Subscription for year ended 30th April		
40 0 0	1907		50 0 0
	" Union of Chartered Accountant Student		
	Societies—		
4 18 6	Levy at 6d. per Member		4 12 6
	" Balance in Bank—	£174 4 4	
	Less Subscription paid in		
153 1 1	advance	0 10 6	
			173 13 10
	" Debate at Hull—		
5 4 6	Expenses of Representatives		—
£238 9 11			£261 8 10

1905-1906 £ s d			£ s d
122 10 8	By Balance from last Account		153 1 1
	" Subscriptions—		
	3 (1905-6) Ordinary	£1 11 6	
	96 (1906-7) Ordinary	50 8 0	
	2 (1906-7) Half-Ordinary ..	0 10 6	
	1 (1905-6) Honorary.. ..	0 10 6	
	91 (1906-7) Honorary.. ..	47 15 6	
100 5 6			100 16 0
4 0 0	" Entrance Fees (1906-7)	.. ..	3 15 0
1 13 9	" Bank Interest	.. ..	3 16 9
10 0 0	" Sale of Books to Library	..	—
£238 9 11			£261 8 10

Audited and found correct,

Liverpool, 14th May 1907. James N. Duncan, S. Eastwood, } *Hon. Auditors.* S. M. Byres Hill, *Hon. Treasurer.*

Balance Sheet 31st December 1906.

	£ s d	£ s d
Accumulated Fund to 31st December 1906 ..	289 18 8	
Less Deficiency on Revenue Account for year 1906	30 5 6	
	259 13 2	
Add Received on Account of year 1907 ..	10 0 0	
		269 13 2
Sundry Creditors		16 3 10
		£285 17 0

	£ s d	£ s d
Circulating Library	96 15 9	
Reference Do.	37 12 3	
		134 8 0
Furniture, per last Account	55 0 0	
Less Depreciation..	5 0 0	
		50 0 0
Sundry Debtors—		
Institute	50 0 0	
Senior Society	25 0 0	
Students' Association	10 0 0	
		85 0 0
Cash—		
At Bank	15 9 0	
In hand	1 0 0	
		16 9 0
		£285 17 0

Audited and found correct.

Liverpool, 11th February 1907. *Signed,* Ernest M. Ormrod, A.C.A. Richard C. de Zouche, *Hon. Librarian.*

A hearty vote of thanks was passed to Mr. W. E. Mounsey, F.C.A., for his valuable services to the Association as President for the past year, also to Mr. W. L. Evans for his services as Hon. Secretary for the past two years, and to the other officers of the Association.

The following officers were elected for the current year:—

President—Mr. George Bowler, F.C.A.

Vice-Presidents—Messrs. Edgar Finney, F.C.A., and B. Langley, F.C.A.

Hon. Secretary—Mr. R. T. Langdon.

Hon. Treasurer—Mr. H. A. Patterson.

Hon. Auditors—Messrs. J. N. Duncan and S. Eastwood.

Students' Representatives on Library Committee—Messrs. W. L. Evans and R. T. Langdon.

Representatives on Students' Union—Mr. Arthur F. Dodd, and one other to be chosen by the Committee when elected.

Committee—Messrs. W. R. MacGregor, A.C.A., Harvey Blease, A.C.A., Thos. Robson, A.C.A., F. R. Raymont, W. L. Evans, D. E. Garnett, E. C. Orford, T. H. Knowles, and J. W. Clare.

Reviews.

Income Tax in Relation to Accounts.

By E. E. Spicer and E. C. Pegler, Chartered Accountants.

London, 1907: H. Foulks Lynch & Co., 9 Fenchurch Street, E.C. Price 6s. net.

This handbook—which, exclusive of the index and preface, comprises but 80 pages—is admittedly written for the convenience of students rather than as an exhaustive study of the

subject, and the average student, who has a rooted objection against reading more than is absolutely necessary, will upon that ground doubtless prefer it to the more exhaustive standard text-books. The arrangement of the work is good, and it is thoroughly up to date—so much up to date indeed that it includes the proposals made by the Chancellor of the Exchequer in the course of his Budget speech which are comprised in the Finance Bill, 1907, which is not yet passed into law. There is, of course, still the possibility that these proposals may be more or less amended in Committee, but apart from this risk the work now before us appears to be well designed to serve its purpose, and will doubtless be popular in spite of its somewhat high price.

Bookkeeping by Double-entry.

By F. A. D. Merces.

London, 1906: Effingham, Wilson & Co., 11 Royal Exchange, E.C. Price 6s.

This handbook, which is printed in Indian currency, and is therefore doubtless primarily intended for Indian readers, will for that reason, if for none other, be found of interest to those who make a study of the varying methods in use in different parts of the world. Shortly stated, the system described is the old system of posting everything through a Journal, here called a Transfer Book, with the modification that, while the accounts to be debited and credited are clearly indicated, the nature of the transactions is equally clearly stated in concise and businesslike language. The book, which in other respects is somewhat commonplace, is printed in two colours, and excellently got up.

Stock Exchange Ten Year Record of Prices and Dividends.

By F. C. Mathieson & Sons.

London, 1907: F. C. Mathieson & Sons, 16 Copthall Avenue, E.C. Price 10s. net.

This work, which deals with the years 1897 to 1906 inclusive, embraces all the securities of which transactions have been officially recorded for two or more years, showing the highest and lowest price in each year, and the amount of dividend paid. The information, which is shown in tabular form, is extremely clear and readily available for comparison. It is well got up and carefully printed, and will doubtless prove the most useful, as it undoubtedly is the most comprehensive, publication of its kind that has yet been issued.

Obituary.

Alfred Revell, A.C.A.

We regret to announce the death of Mr. Alfred Revell, Chartered Accountant, Huddersfield, which took place on the 29th ult., at the age of 61 years, from heart affection, from which he had suffered some time. Deceased started his career in the service of the late Mr. Fred Carter, accountant, and for about 21 years had carried on the business of accountant on his own account at Armitage's Buildings, New Street, and recently at the Prudential Buildings, Huddersfield. He was a man of strict integrity, of a quiet disposition, and universally respected by all who came in contact with him, either in business or private life. He leaves four sons and one daughter.

Personal.

Messrs. Harold W. Revell and Frank E. Revell, C.A., of Prudential Buildings, New Street, Huddersfield, in announcing the death of their father, state that the practice will be carried on by them under the same style as before.

With reference to the dissolution of partnership of Messrs. Snowden & Stringer, Bradford, noticed in our personal column last week, Mr. Snowden will, in future, practise at 3 Booth Street, Bradford.

Companies Bill, 1907.

Report of the Committee of the Liverpool Society of Chartered Accountants.

In considering this Bill, the Committee desire to refer to the position which has been attained by companies registered under the Act of 1862 and other Acts incorporated therewith. It is admitted these Acts have given a great impetus to the development of the trade of the country.

The report of the Company Law Amendment Committee, presented in June 1906, states that there are more than 40,000 companies in existence, with an aggregate capital of £2,000,000,000, and the debentures and debenture stock of these companies aggregate some hundreds of millions of pounds.

This report also gives some comparative figures, of which the following is an extract:—

	1904	1905	10 Years 1896-1905
Companies Registered	3,478	3,967	40,594
	£	£	£
Capital—Prospectus filed and Certificate to commence given	12,798,795	20,670,760	
Do. No Certificate ..	1,835,075	2,870,500	
No issue to Public—Declaration filed to this effect	64,867,515	82,752,256	
No Declaration or Prospectus (filed)	4,413,303	2,361,527	
	£83,914,688	108,655,043	1,832,040,187
Average Capital.. ..	£24,127	27,390	45,131

The following figures are extracted from the fifteenth general annual report by the Board of Trade issued in July 1906 :—

	1904	1905	10 Years 1896-1905
Liquidations—Number of Companies	1,600	1,693	16,363
	£	£	£
Capital—Public	22,249,335	25,062,960	278,497,663
Vendors	32,594,141	25,032,309	335,912,799
	£54,843,476	50,095,269	614,410,462
Average Capital	£34,277	29,589	37,549

These figures show that new companies are being formed at a rate of capital equal to three times that proportion which passes into liquidation.

The Committee of the Society submit these statistics in order to emphasise the necessity for giving every possible encouragement to the development of trading by means of limited liability companies, and at the same time to show the importance of avoiding legislation, whereby vexatious or irksome restrictions would be imposed upon that large proportion of limited liability companies which it is acknowledged are conducted efficiently and honestly.

For instance, Clause 23, requiring registration of Balance Sheets, is, in the opinion of this Committee, distinctly undesirable. The presumed object of this clause is to protect the interests of the unsecured trading creditors. The effect of the clause, no doubt, will be that Balance Sheets of companies will be published broadcast through the medium of trade organisations and trade protection societies. They will thus come to the knowledge of rivals in trade and others, which might seriously prejudice the interests of the companies.

If the registration of Balance Sheets be admitted as a principle, its application ought not to be restricted merely to limited liability companies.

In the opinion of this Committee the registration of Balance Sheets would retard the development of trade by preventing the conversion of many private concerns into limited liability companies.

It is considered that the unsecured creditors in limited liability companies, to whom Balance Sheets are not already available, is only a small percentage of the actual capital involved, and does not justify so important a departure to the probable disadvantage of the remaining capital interested.

If it should be decided that Balance Sheets of companies should be registered, the Committee feel that the right of inspection of these Balance Sheets should be very carefully restricted, so that only those having an interest therein shall have access to them.

Clause 11, Subsection 1 (*e*).—The Committee approve this subsection, provided that registration of transactions, such as the following, would not be required :—

(1) In some cases for the purpose of carrying out the work under a contract, the payments for which extend over a long period, an advance is arranged through a banker, or otherwise, a charge on the ultimate amount receivable under the contract being given by way of security.

(2) In other cases, where advances have been made against merchandise in warehouse (the documents being held by the lender as security), the charge on the merchandise is released when the goods are sold, and is substituted by an undertaking to pay to the lender the proceeds of the sale immediately and specifically as received.

In cases such as these, which are common transactions in business, registration would, in the opinion of this Committee, seriously interfere with this method of obtaining advances, and would, therefore, be detrimental to the usual course of trade.

Clause 20, Section 2.—The fee of 1s. is inadequate.

Clause 21 (5).—The Committee consider that the words "or other officer of the company" should be deleted, as they might involve officers who are not responsible for the issue of the Balance Sheet.

Clause 23.—Omit this clause. The objections to registration of Balance Sheets are dealt with in previous observations.

Clause 25.—This clause should be made to apply only to future issues of debentures, as the right of present debenture-holders to receive Balance Sheets of the company will have been determined in the arrangement for the issue of those debentures.

Clause 26.—The objection as to the responsibility of "other officer of the company" would apply here as in Clause 21 (5).

Clause 39 (1) (*b*).—The particulars of debentures, issued either to the public or privately, are already required to be fully notified to the public through the medium of the register. In the opinion of the Committee, therefore, the words "or debentures" should be deleted from this sub-section, and that a company should be entitled to issue debentures to the public, and still remain a private company.

This Committee are of opinion that a clause should be added to this Bill to provide that:—

The rules and regulations as applied to the appointment of a liquidator under a compulsory winding-up order should apply, as far as possible, to his appointment under a voluntary winding-up, so that the creditors of a limited liability company, as well as the shareholders, shall have a voice in the appointment of liquidator, and that the law should be amended accordingly.

BEN. COOKSON,
President.

W. E. MOUNSEY,
Hon. Secretary.

Liverpool, 30th May 1907.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, June 7th, was 164, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 91; Deeds of Arrangement registered, 73. The respective numbers in the corresponding week of last year were: Bankruptcies, 64; Deeds of Arrangement, 64—total, 128; being an increase of 36. The total number of commercial failures recorded during the 23 weeks of the present year is 3,541; the total number recorded in the corresponding 23 weeks of last year was 3,853, showing a decrease of 312.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, June 7th, was 147. The number in the corresponding week of last year was 106, showing an increase of 41. The total number filed during the 23 weeks of the present year is 3,440; the total number filed in the corresponding 23 weeks of last year was 3,466, showing a decrease of 26.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, June 7th, amounted to £980,690, by way of addition to £1,566,475, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,008,588, showing a decrease of £27,898. The total amount registered during the 23 weeks of the present year is £46,622,356 (in addition to the issues in previous years by the same companies), as compared with £38,595,217 for the corresponding 23 weeks in 1906, showing an increase of £8,027,139.

The Profession in Scotland.

Glasgow Chartered Accountants Students' Society.

Further Reforms in Company Law.

By H. P. MACMILLAN, Advocate, Edinburgh.

A PAPER read before the above Society 10th January 1907.

IT is barely six years since I had the pleasure of addressing an audience in this hall on the subject of the Companies Act of 1900, and the reforms which that statute was designed to effect in our code of company law. I therefore cannot but feel to-night that it is a somewhat depressing commentary on the efficacy of company legislation in general that after so short an interval I should find myself once more asking your attention for a little to the topic of company law reform. The Statute of 1900, as you know, was the outcome of the most anxious investigation of the defects which the experience of a generation had revealed in our system of company administration, and of the abuses to which those defects had given rise. Probably few Bills of modern times have been the subject of more deliberation. Its clauses were scrutinised word by word by Parliamentary Committees, Chambers of Commerce, and legal and commercial bodies of every kind throughout the length and breadth of the land, and when the Bill at last reached the Statute Book it was greeted on almost all hands as heralding a new heaven and a new earth for the investing public, and, if I may be permitted to say so, a new inferno for the fraudulent promoter and the dishonest director. Yet within the short space of five years' time we find the Board of Trade on 8th February 1905 appointing a large Committee of eminent and experienced persons "to inquire what amendments are necessary in the Acts relating to joint-stock companies,"

and these gentlemen have found so extensive a sphere for their labours that their report extends to thirty-two folio pages of print.

The fact of the matter is that the task of company legislation is without doubt one of the most delicate and anxious that falls to the lot of Parliament, and one in which it is perhaps more difficult than in any other to reach finality. The avowed object of all such legislation has been, on the one hand, the fostering and encouragement of joint-stock enterprise; and, on the other hand, the effectual repression of illegitimate practices. But experience has shown that measures intended to encourage legitimate enterprise have too often proved actually repressive in result, while legislative remedies for abuses are notoriously apt to turn out worse than the abuses they are administered to heal.

The modern joint-stock company is the product of a prolonged process of evolution, and it was only after many tentative and only partially successful efforts that in 1862 there was passed the Companies Act of that year, which created the limited liability company in the form in which we know it. That statute is universally admitted to have been exceedingly well conceived, and for many years it appeared to have succeeded in finally adjusting a perfect instrument for the promotion of industrial development combining all the advantages of co-operative effort and absence of individual risk with the provision of adequate safeguards for the protection of the public. The best testimony to the merits of the Act is to be found in the fact that until 1900 it was not found necessary to make any material amendment in principle upon its provisions, the thirteen intervening company statutes being for the most part concerned with administrative details. But no legislation, however excellent, can hope to serve for all time, and the changes and developments of recent commercial enterprise, and perhaps more especially the enterprise of unscrupulous persons whose ingenuity had discovered methods of evading or abusing the existing law, seemed, about the close of last century, to call for the revision of part at least of the law so well and truly laid down in 1862.

The Legislature accordingly set its hand to the task, and the Act of 1900 was the result. That statute has undoubtedly cleared up some points which were previously dubious, and it has also served to check some of the more rampant abuses at which it was aimed. But it is to be feared that many of its anxiously framed sections have done little more than illustrate the dangers of even the best meant legislative intervention. The commercial world is exceedingly sensitive to the slightest displacement in the existing state of things. Abuses may be deplored, but changes, especially changes whose precise effect cannot be foretold with certainty, are perhaps even more dreaded. The statistics of company promotion immediately before and immediately after the passing of the Act of 1900 afford unmistakable proof of the truth of what I have said. In 1900, the year before the Act came into operation, 4,509 companies were registered, with a nominal capital of over 206 millions. In the following year, the first year of the new Act's operation, the figures fell to 3,132 companies, with a capital of 137 millions, and in no year since have the figures of company promotion reached anything like the magnitude of those recorded before the passing of the new Act, although it is satisfactory to observe from recently published figures that in the year just closed there has been, at least in Scotland, greater activity in this department than in any of the years since 1900. It cannot be said that the falling-off in the birth rate of companies of late years is attributable to the fact that the stringent provisions of the Act of 1900 have prevented the coming into existence of bogus and dishonest companies, and that the smaller figures accordingly represent the residuum of *bonâ fide* and legitimate promotions, for, unfortunately, the recent annual reports of the Board of Trade under the Winding-up Act convey no such consolatory message. After all other adventitious causes—such as the Boer war, the depression of trade, and the doubling in 1899 of the *ad valorem* duty on the registration of companies—have been eliminated it must, I think, be conceded that the Act of 1900 has had a repressive effect even on legitimate company promotion, from which some measure of recovery is only now beginning to show itself. This, then, is the risk of company legislation, that in the honest endeavour to curb existing abuses obstacles may be placed in the way of legitimate enterprise, and disturbing elements introduced into our great system of company trading. When it is remembered that at the present moment not less than two thousand millions of capital are invested in British joint-stock companies it will be readily appreciated that a system which has done so much to stimulate British trade and to augment the wealth of the community ought not lightly to be interfered with, even by the best intentioned legislators. That the Act of 1900 has not succeeded in avoiding the risk incidental to all such legislative intervention is perhaps best evidenced by the fact that the further reforms in company law which have of late been proposed, and some of which we shall to-night consider, are for the most part reforms of the innovations introduced in 1900.

One of the most conspicuous of the innovations of the 1900 Act was the statutory recognition for the first time of the distinction, already well recognised in practice, between public and private companies. The numerous and stringent requirements of the Act in the matter of the disclosure of detailed information on the part of the

promoters of companies were designed to afford the public the amplest means of satisfying themselves as to the soundness of the concerns to which they were invited to confide their capital. On the other hand, it was thought that in the case of companies which did not invite the public to subscribe for their shares it was unnecessary to exact the same precautions. The statute accordingly exempted the latter class of companies from many of the provisions of the Act, and thus divided companies into those which do and those which do not issue an invitation to the public to subscribe for their shares, a classification roughly corresponding to the popular distinction between public and private companies. Unfortunately, the exemptions conferred on the latter class of companies have had effects which were not foreseen, and have opened the door to serious evasions of the Act. A practice has sprung up on the part of companies, to whom the disclosure of their devious methods would be inconvenient, of filing a declaration that they do not issue any invitation to the public to subscribe for their shares, and thus escaping the necessity of disclosing the details of their financial position which is imposed on all companies which do issue a prospectus to the public. Having commenced business thus on the footing and with the privileges of a private company, the concern proceeds to convert itself to all intents and purposes into a public company, the device commonly adopted being for the vendor to take a large block of the shares, credited as fully paid up, as the consideration for the sale of his property to the company, and then to dispose of these shares on the Stock Exchange or privately, thereby introducing a large body of outside shareholders into the concern. In such a case the company has, it is true, issued no invitation to the public to subscribe for its shares, but the same result has been brought about as if it had; with this very important difference, that the outside investors who have in this way become shareholders have been denied all the information relative to preliminary contracts, the amount of the purchase-money, and many other material facts which would have been available to them had the company in the usual straightforward way invited them to subscribe for its shares. It may be said that persons who choose to buy shares on this footing have only themselves to thank if they find themselves defrauded, but the better opinion is that certain modifications of the provisions of the Companies Act of 1900 should be made in the case of companies not issuing any invitation to the public to subscribe, which should prevent the perversion of the exemptions enjoyed by such companies. Accordingly the Board of Trade Committee recommend that every company which commences business without issuing any prospectus should be compelled to file a statement containing information similar to what Section 10 requires to be disclosed in all prospectuses, so that intending shareholders and creditors of the company should have the means of knowing its true character. At the same time, the majority of the Committee do not think it desirable that the genuine private company properly so called should be compelled to file such a statement. As at present there is no statutory definition of a private company, the only distinction recognised by the Act of 1900 being between companies which do and companies which do not issue any invitation to the public to subscribe for their shares, the necessary sequel to this recommendation appears to be the enactment of some definition of a private company. The definition suggested by the Committee is "a company consisting of not more than thirty members, "and by its regulations restricting the right of transfer "of shares, and prohibiting (*a*) the increase of the number "of its members to more than thirty, and (*b*) any invita-"tion to the public to subscribe for any shares, debentures, "or debenture stock of the company." It humbly appears to me that the best course to adopt would be to delete from the 1900 Act the exceedingly ambiguous distinction which runs through it between companies which do and companies which do not issue any invitation to the public to subscribe for their shares, and in place thereof to adopt the above definition, dividing companies on the basis thereof into public and private companies respectively. Not only would this give recognition and precision to a distinction already well established in ordinary business parlance, but by making this distinction the test of the extent of disclosure required of companies it would also, on the one hand, relieve the genuine private company from embarrassing disclosures of its affairs to the public; and, on the other, compel disclosure on the part of all companies seeking directly or indirectly the support of public money of all the information which the public are entitled to possess before entrusting their money to them. Provision would, of course, be made for any private company converting itself into a public company, if it so desired, on publishing the necessary information. It is the public whom the law is concerned to protect, and therefore, so far as the investing or speculating public is concerned, it is only the company which appeals to the public which must be compelled to pay in disclosure for its privilege of obtaining public support. The true private company, on the other hand, obtains its capital from a small and intimate circle, who are all familiar with its character and circumstances, and to compel public disclosure of its private affairs would be merely detrimental.

There is, however, another and very important class of persons besides the shareholders who deserve protection, and for whom protection is just as necessary in the case of public as of private companies, and that is the creditors

of the company. Persons who supply goods to private individuals have in general the means of satisfying themselves generally of their ability to pay for them. In the case of companies such information is not so readily accessible, and the Committee are accordingly of opinion unanimously that every public limited company, and by a majority that every private limited company, "ought to "be required to file periodically a statement of its affairs "in the form of a Balance Sheet, containing a summary "of its capital, its liabilities, and its assets, giving such "particulars as may generally disclose the nature of such "liabilities and assets, and how the values at which the "fixed assets stand are arrived at." Certainly the criterion of distinction between the two classes of companies which is set up by the 1900 Act is in any case unsatisfactory, for it involves the interpretation of that very vague term "the public," as to which there has already been considerable litigation in the Courts. It is clearly important that this matter should not be left dependent on the construction in each individual case of so fluid a term. The private company is not adequately defined as a company not issuing any invitation to the public to subscribe for its shares; it has other features scarcely less essential to its definiton. The matter is one of importance, for recent statistics show that the so-called private company is becoming an exceedingly popular institution. Thus in Scotland last year, out of 327 companies registered only 55 were public companies, most of the remaining companies being cases of the conversion into limited concerns of private firms, which, of course, did not desire the participation of the public. Indeed, after the passing of the 1900 Act the previously familiar company prospectus, which used to supply so large a part of the contents of our wastepaper baskets, was almost threatened with extinction. In 1904 the percentage which the capital of companies issuing a prospectus bore to the total capital of the companies registered in that year fell so low as 15¼ per cent. More recently, however, there are signs of the prospectus once more coming into vogue, though the percentage for 1905 was still so low as 19·03.

In this connection another grievance of the unsecured creditor may be referred to—namely, the form of security known as the "floating charge," on which a large part of the capital of many companies stands secured. A floating charge is a charge not on any specific property of a company, but upon the whole assets of the company for the time being, irrespective of any changes which may take place in the nature of these assets in the ordinary course of business. It leaves the company unfettered in its administration of its affairs until the creditor in the charge intervenes, but whenever the company ceases to carry on business, or goes into liquidation, or is put in the hands of a receiver, the charge becomes fixed and specific, and attaches for behoof of the creditor all the assets of the company as then existing. Such a charge is ineffectual in Scotland, for Scots law does not recognise the validity of indefinite securities of this kind (*Clark v. West Calder Oil Co.*, 1882, 9 R. 1017); but in England they are so well recognised that it has been said that "some hundred "millions of money are now outstanding invested on the "security or part security of floating charges."

Observe, now, how hardly the existence of this kind of security may bear upon a creditor. If, being unable to get payment from a company for goods supplied to it, he resorts to an ordinary action, obtains decree, and proceeds to enforce his decree by diligence against the property of the company, the holders of the floating charge at once present themselves and apply for the appointment of a receiver, on the ground that their security is being jeopardised. The result is that the whole of the existing assets of the company, including probably the very goods which the unpaid creditor has supplied, are swept away, and the creditor is left with the sorry prospect of getting payment of his debt out of anything which may be left over after the holder of the floating charge has satisfied his claims in full. This is what happened in the typical case of *The London Pressed Hinge Co., Lim.* ([1905] 1 Ch. 576), and the remarks of Mr. (now Lord) Justice Buckley in that case indicate the gravity of the grievance. In appointing a receiver there, he said, "I am unable upon "the authorities to find anything to enable me to put a stop "to what I feel to be an injustice. It is an injustice arising "from the nature, as defined by the authorities, of a float-"ing security. The mischief arises from the fact that the "law allows a charge upon all future property. The "subject, however, is one which, I think, urgently requires "attention. . . . It is not for me to say whether the "matter requires the attention of the Legislature."

Apparently, however, the Legislature is not to respond to this very broad judicial hint, and that for the reason which stands in the way of giving effect to so many other suggestions for reform—viz., that restrictive legislation would put an obstacle in the way of an expedient of great practical convenience to the generality of honest companies, which would be altogether out of proportion to the hardships to which its abuse leads in dishonest cases. Hard cases, it is said, make bad law, and they may also make bad legislation. The floating charge, it is urged, has been in such widespread use for the past thirty years or so as to have become "an integral part of our commercial system," and has proved of such great utility when legitimately used for obtaining capital that its statutory abolition would seriously interfere with company enterprise. Three members of the Committee, however, were in favour of the abolition of the floating charge, not only on the ground of

its injustice to creditors and of the unfair advantage which it gives to trading companies, in the matter of obtaining capital, over individual traders who cannot borrow money in the same way, but also because it renders reckless borrowing and reckless trading too easy on the part of companies which, unlike individual traders, have not before them the fear of loss of reputation by insolvency, which operates as so wholesome a restraint in the case of the individual trader. The minority of three also draw attention to what they justly term a "very grave scandal," to which the recognition of the validity of floating charges leads, whereby an individual trader is enabled to avoid all the risks incidental to individual trading. All he has to do is to convert his business into a "one-man company," with the assistance of six members of his family. As vendor of the business to the company (which is just an *alias* for himself) he fixes the purchase-price at a sum which represents an exaggerated view of its value, and takes payment thereof partly in debentures secured by a floating charge over the whole assets of the company and partly in fully paid-up shares. Beyond the six shares which the other six signatories of the memorandum require to take, no shares are issued except those which the vendor takes in part payment of the price of the business. If all goes well the promoter takes the whole profits in the shape of interest on his debentures and shares; while if the business proves unsuccessful, he puts his floating charge into execution and sweeps up for himself the whole remaining assets, including all the goods and plant supplied by unpaid creditors. In short, he enjoys "all the "benefit of private ownership, coupled with immunity from "personal liability." In the fifteenth general annual report of the Board of Trade under the Winding-up Act a typical instance of such a fraud upon the public, which occurred in the case of *J. T. Beckett, Lim.*, is set forth in detail. In spite, however, of the existence of such admitted and clamant abuses, the majority of the Committee think that the abolition of floating charges would do more harm by hampering the financial arrangements of the great body of honest companies than it would do good by putting an end to the comparatively small number of fraudulent schemes to which the legal recognition of floating charges affords an opening. The only alleviation suggested is the far from heroic one that floating charges created by a company within three months of its being wound up should be invalid, except to the extent of the cash actually advanced at or subsequently to the creation of the charge, with interest at not more than 5 per cent., unless it be proved that the company was solvent at the time the charge was created. And some good also, it is added, may result from the Committee's recommendations as to rendering more effective the present provisions for the registration of mortgages and charges so as to enable traders to have better means of acquainting themselves with the financial position of companies with which they propose to have dealings. It is a little difficult to appreciate the hesitation of the Committee to deal more drastically with the subject. If they had cast their eyes across the Border I think they would have been able to satisfy themselves that company enterprise has not been seriously hampered in Scotland by the absence of floating charges.

Another matter which has exercised the minds of the Company Law Amendment Committee is the question of underwriting commission. It will be remembered that prior to the Act of 1900 the underwriting by a company of an issue of its own shares as distinguished from the payment of brokerage for placing its shares was regarded as illegal, as being tantamount to the issuing of its shares at a discount; and in consequence the practice arose for the promoters to see to the underwriting of the company's shares, with the almost inevitable result that the underwriting commission was obtained indirectly from the company in the form of an addition to the purchase-price. The Act of 1900, by Section 8, placed the matter on a more straightforward basis by authorising the payment of underwriting commission, provided full disclosure of the fact and of the amount was made in the company's articles of association and prospectus. The Committee are satisfied that this concession "was judicious, and, speaking generally, the power has not been abused." But it cannot be said that this reform, any more than any other reform, has escaped bringing in its train some new abuses, and cases have been known to occur where, taking advantage of this new power, companies have paid underwriting commission to the tune of 70, or even 80, per cent. of the face value of the shares. This is issuing shares at a discount with a vengeance. It is not thought, however, that even cases of this sort would justify the laying down of any arbitrary fixed legal limit for the payment of underwriting commission, and it is pointed out that if the public have full intimation, as they now have, of the amount of underwriting commission to be paid it is for them to judge whether they care to embark their money on enterprises of so highly speculative a character as to necessitate for their flotation the payment of extravagant underwriting charges. This is probably a good answer. The aim of the law is rather to see that the public have full knowledge of the risks they run in entering into contracts than to insure that they shall not enter into risky contracts at all. Accordingly, the only amendments which are recommended in this branch of the subject are (1) that where underwriting commission is paid in respect of the issue of debentures (which, it will be kept in mind, could always even before the 1900 Act be issued at a discount), particulars of such

commission should be filed with the Registrar as in the case of share capital; (2) that the payment of underwriting commission should be disclosed not only in the articles and prospectus, but also in the annual summary published after the payment thereof, and in the annual balance sheet until written off; (3) that the vendor to a company should be authorised to pay underwriting commission, as well as the company itself, always provided full disclosure is made; and (4) that the payment of commission should be authorised in the case of companies not offering their shares to the public, including the case of companies reconstructing when the shares in the new company are offered to the old shareholders, who, of course, are not the public.

An important matter, in which there is room for some mitigation in the severity of the penalising sections of the Act of 1900, is the question of directors' liability. Nothing is more desirable in the interests of the integrity of company trading than that the very best class of business men should be found on the boards of all companies, but the stringent requirements of the Companies Acts in the matter of disclosure of the most minute and detailed information, and the serious consequences of breach of any such statutory duty, are only too apt to discourage acceptance of office by the very class of men whom it is sought to attract, and who may be deterred by fear of the consequences of the most innocent sin of omission on their part. It is not judicious to legislate on the footing that all men are knaves; and, after all, the whole fabric of commercial life is built up on credit—that is to say, in reliance on the fact that the normal man is trustworthy. Accordingly, the Board of Trade Committee recommend that the Courts should be empowered to relieve directors and promoters from liability for breach of any statutory duty imposed on them by the Companies Acts, provided that the breach has been occasioned by an honest oversight, inadvertence, or error of judgment, and to grant similar relief to directors against whom actions for negligence or breach of trust have been brought, provided they have acted reasonably and honestly.

There is a host of minor matters in which there is still room for improvement and amendment of our code of company law, and many of these are dealt with in the interesting report which has really formed the text of what I have said to-night. For these I must refer you to the report itself, for time does not permit of my even touching upon them. What is most desirable of all is that the series of statutes in which our present company law is contained should be fused into one consolidating Act, embodying at the same time all the improvements which the experience of the Law Courts and of practical business men has suggested. The Board of Trade have already drafted a Bill consolidating the fourteen existing statutes, and a new "Table A," containing a revised set of model articles of association, has already been issued, although its parents speak somewhat discouragingly of the utility of their offspring. I do not say that, even were all the suggested reforms, both in larger matters and in detail, to be adopted, we should then have a perfect code. The stopping up of one legislative leak seems, almost too inevitably, to result in the opening up of a leak at another point. But, at least, we should have the assurance that if company frauds still continued to occur they could no longer be set down to the apathy of the Legislature in its surveillance of one of the most important departments of our commercial life, but rather to the margin of depravity which no legislation, however skilful, can hope to eliminate.

East of Scotland Bankruptcy Reform Association.

REPORT by the Committee of the East of Scotland Bankruptcy Reform Association for the year ending 30th April, 1907, submitted to the annual general meeting 9th May 1907, and adopted.

In submitting the first annual report of the Association the Committee have to thank all those who have assisted in the formation of the Association by becoming members, by attending the lectures, and by extending their sympathy and support in the furtherance of the object of the Association.

This being the first report, it is necessary to explain the steps leading to the formation of the Association.

For a long period the unsatisfactory state of the law and the methods followed in regard to the winding up of insolvent estates created a demand among commercial men for some reform, and in 1890 a Bill, promoted by a Glasgow Association, was introduced into the House of Commons, having for its object the consolidating and amending the Law of Bankruptcy in Scotland; but after being printed it was allowed to drop, but is again being brought forward by the Glasgow Association, we understand.

In 1905 a memorial by the wholesale merchants in Edinburgh and Leith was presented to the Secretary of State for Scotland, asking him to secure legislation for the improvement of the bankruptcy laws of Scotland, but the Government shortly afterwards resigned, so no progress was made then.

In 1906 another memorial was presented by the same parties to the Secretary of State for Scotland under the present Government. This memorial and the signatures were closely examined, and being found to fairly represent the trade in the district was acted upon.

Traders in England had been complaining also, and the President of the Board of Trade appointed a Committee "To inquire into and report upon the effect "of the laws in force in the United Kingdom in relation to "bankruptcy, deeds of arrangement, and compositions by "insolvent debtors with their creditors, and the prevention "and punishment of fraud by debtors on their creditors."

You will notice the Committee was to apply the inquiry to the United Kingdom, but in December 1906 that Committee reported to this Association that they found it was not practicable to extend their inquiry beyond the administration of the bankruptcy law in England. Scotland, therefore, has not yet received any attention in regard to this matter from the present Government.

On June 7th 1906 a meeting of Edinburgh and Leith merchants was held in Edinburgh for the purpose of considering the subject of Bankruptcy Reform. That meeting considered that, in order to prevent the interest in the question falling asleep, an association having the definite object of bankruptcy reform in view would be more likely to succeed than a few meetings.

That meeting therefore resolved to form, and did form, the East of Scotland Bankruptcy Reform Association, and at a subsequent meeting, held on the 14th June, this resolution was confirmed, constitution and rules adopted, and the office-bearers and general committee elected.

The object of this Association is "To bring about an "improvement in the procedure in the winding up of "insolvent and bankrupt estates in Scotland in such ways as "may be deemed advisable."

Merchants are no doubt aware of the indifference and general apathy shown in regard to the winding up of insolvent estates—the long period of dissatisfaction being no doubt the cause of this indifference.

One of the first objects, therefore, of the Association was to endeavour to arouse an interest in the subject of reform amongst traders and to make them better acquainted with the present state of the law.

The Committee of the Association, therefore, arranged for the delivery of suitable lectures, and on November 1st 1906 Mr. W. Kinniburgh Morton, B.L., S.S.C., gave a lecture within the Goold Hall on "The law relating to the "winding up of insolvent estates under the Bankruptcy "Courts."

On December 13th 1906 a lecture was delivered by J. Wright Forbes, Esq., Advocate, on (*a*) The law relating to the punishment of fraudulent debtors; (*b*) The rights of ordinary trade creditors in the liquidation of Limited Companies.

On 31st January 1907 W. Kinniburgh Morton, Esq., B.L., S.S.C., delivered a lecture on "The Winding-up of "Insolvent Estates under Private Arrangements, including "Trust Deeds."

On March 6 1907 Mr. Harry L. Price, F.S.A.A., Manchester, delivered a lecture on "Bankruptcy Procedure in England."

These lectures were most interesting and valuable, inasmuch as the subjects were treated in such a way that traders had no difficulty in understanding the subjects dealt with. No. 1 lecture has been published, and it is hoped that arrangements will be made for the publication of the others.

The lecture by Mr. Harry L. Price was especially interesting to a Scottish audience as explaining, and demonstrating by the various printed forms used, the procedure under the English Bankruptcy Acts 1883 and 1890. Mr. Price sketched in a very lucid way the procedure from the act of bankruptcy by the debtor to the closing of the trustee's accounts and the examination of these accounts by the Board of Trade.

These lectures were fairly well attended considering the subject, and from the interest shown by those who were present, and the discussions which followed, it is quite apparent that the time has come for some active steps being taken by traders themselves to remedy the evils which presently exist in regard to the winding up of insolvent estates, and the punishment of fraudulent debtors. Individual complaints are useless, combined action on the part of traders is absolutely necessary if any improvement is to be expected.

Some of these lectures indicated the lines upon which reform might follow, but it must be understood that these are the private opinions of the lecturers, and, while they are all worthy of consideration, are not to be taken as the opinions of the Association, or to fully meet the demands of traders.

With the object of obtaining the opinions of merchants, printed schedules were sent out containing questions relating to the subject of insolvency and winding up estates, and we now give these questions, with the substance of the replies.

1.—What are, in your opinion, the principal causes of failures in business?

Ans.—Want of commercial training; inattention to costing and details; want of proper bookkeeping and long credit; selling without sufficient profit; insufficient capital for the business.

2.—What means would you suggest for preventing such failures?

Ans.—Shorter credit by wholesale houses; proper business books made compulsory, with a yearly audit; more careful

inquiry as to the status of customers; better commercial training, especially as to costing.

3.—What are, in your opinion, the principal causes of failures of limited companies?

Ans.—Too much paid for the business; insufficiency of actual working capital; want of personal interest on the part of officials; unskilled management.

4.—What means would you suggest for preventing such failure?

Ans.—Increase the responsibility of directors; statements in prospectus examined by a public official; restriction of the rights of debenture-holders.

5.—*Winding up insolvent estates outside the Bankruptcy Courts.*—Do you approve of winding up insolvent estates under the present system of trust deeds?

Ans.—Yes, subject to provisions in Answer 6; otherwise no.

6.—If so, what means can you suggest whereby the interests of creditors and debtors may be better safeguarded under these deeds than at present?

Ans.—Trustee should be nominated by creditors, a committee of creditors appointed to advise, and the accounts audited by an independent auditor, who will fix trustee's fee.

7.—*Winding up insolvent estates under the Bankruptcy Courts.*—Do you approve of, and are you satisfied with, the present system of winding up estates under the Bankruptcy Acts?

Ans.—Yes, subject to improvement of the procedure.

8.—Do you approve of the appointment of Commissioners on a sequestrated estate as at present, or should the duties of auditing the trustee's accounts and fixing his remuneration be performed by an official of the Court?

Ans.—Yes, provided the auditing of the accounts, fixing the trustee's remuneration, and the punishment of a fraudulent bankrupt, be left in the hands of a public official.

9.—Legal expenses in a sequestration usually amount to £30 to £50—should these expenses be reduced?

Ans.—Legal expenses should be reduced to £10 or less.

10.—*Punishment of Fraudulent Bankrupts.*—State the grounds (such as keeping no books, selling his business before settling with creditors, &c.) upon which you consider a bankrupt should be punished or his discharge delayed.

Ans.—Imprisonment should follow where the bankrupt has obtained advances or further credit on misrepresenting his financial position, keeping no books, and fraud. Discharge should be granted as soon as possible where there is no fraud.

11.—*Imprisonment for Debt.*—Do you consider that it would be for the interests of merchants that the law for the imprisonment of debtors should be reintroduced?

Ans.—No, not in the old form; but under the Bankruptcy Acts, yes.

12.—*Landlord's Claim for Rent.*—Should the landlord rank as an ordinary creditor?

Ans.—Yes; but preference should be given to the landlord's rates and taxes.

Only the substance of the replies has been given, but there are in these schedules a number of good suggestions, which will be considered when dealing with the report on the question of bankruptcy procedure under the rules of the Association.

The Committee trust that all merchants will continue to promote the object of the Association, as an improvement of the bankruptcy laws undoubtedly means fewer failures, increased security against unfair competition, and consequently larger profits may fairly be expected.

The Association are indebted to the lecturers who so willingly came forward to lecture to the Association without fee or reward.

The Treasurer's accounts will now be submitted to you. These show a balance on the right side. That balance would have been larger had the lecturers not been provided, but if the object has been attained of arousing interest in the subject of reform, and at the same time giving to the members an opportunity of becoming better acquainted with the state of the bankruptcy law so that they may understand what measures of reform are necessary, then the money has been well spent.

The Association has been in communication with the Lord Advocate and members of Parliament for the district, and they have promised to give the matter their attention and support.

The attention of the Association has been especially directed to certain trades carried on in Scotland by retail merchants from foreign countries, who, unacquainted with the law, are in many cases proving a serious source of loss to the wholesale traders, and, as this evil is on the increase, it is time that the attention of Parliament was drawn to it.

It is hoped that by the end of another year a Special Committee will be appointed by Parliament to inquire into the whole subject of bankruptcy procedure here, as has been done in England, and that there will be no further necessity for the existence of an Association of this kind.

The report and accounts were unanimously approved and adopted.

The following office-bearers were elected for the ensuing year:—

Chairman—Mr. H. W. Hunter, J.P., Ironfounder, Edinburgh;

Vice-Chairman—Mr. James Mackinlay, Distiller, Leith;

Treasurer—Mr. G. B. Millar (James Lindsay & Son, Lim.);

Secretary—Mr. G. E. Dall, F.S.A.A.;

and a large and influential Committee was appointed. It was resolved to approach the Chambers of Commerce to obtain their assistance in promoting the object of the Association.

Personal.

The marriage was solemnised on the 7th inst. of Mr. Alexander Watson Stiven, C.A., City Chamberlain, of Dundee, and Miss Mary J. H. Simmers, daughter of the late Mr. Robert Simmers and Mrs. Simmers, 2 Airlie Terrace, Dundee. The ceremony took place in St. Enoch's Parish Church before a large congregation of guests and the general public.

Mr. Archibald B. B. Scott, C.A., Ardeer House, Stevenston, has been added to the list of Justices of the Peace for the county of Ayr.

COURT OF SESSION.

Edinburgh.—First Division

Before Lords M'Laren, Kinnear, and Pearson.

June 4.

General Accident Assurance Corporation, Lim. *v.* James McGowan.

Income-Tax—Insurance Company and Unexpired Risks.

The Division advised this case, in which the General Accident Assurance Corporation, Lim., Perth, appealed against a determination of the Income-tax Commissioners dismissing an appeal by them against an assessment of the Surveyor of Taxes. The assessment complained of was for the quarter ending 5th April 1906, and was on the sum of £20,950 (duty £1,047) made under Schedule D in respect of the profits of the business carried on by the company. The sum assessed was the amount on an average of the three years ending 31st December 1904. The company claimed a deduction for unexpired risks of 33⅓ per cent. of the total premiums, and the amount on which the company claimed to be assessed was £5,112. The appellants maintained that it was necessary to provide for unexpired risks before the true profit could be ascertained. The Surveyor of Taxes contended that the whole of the premiums ought to be taken into account as profits for the year, notwithstanding that the risks covered by a portion of such premiums might extend into the subsequent year, and that a deduction for unexpired risks was not one of the expressly enumerated deductions authorised by the Income-tax Act. The Commissioners sustained assessment on precedent.

The Division affirmed the determination of the Commissioners, and found the Crown entitled to expenses.

Lord M'Laren said the question was one of great importance to insurance companies, whose business in the aggregate was very large, and if it had come up for the first time his Lordship should have desired a full argument upon it. The point was not new. It was considered nearly thirty years ago by the Court of Exchequer in England in the case of the *Imperial Fire Insurance Company v. Wilson*, and eighteen years ago in this Division in the case of the *Scottish Union and National Insurance Company*. In the collective opinion of the Court, delivered by Lord-President Inglis, the distinction, which had long been recognised, was clearly drawn between the character of the business in fire insurance companies and the character of the business done in life insurance companies, the one being only a contract of indemnity, and the other a prospective series of contracts, each of which might endure for the whole course of the life of the person making the contract, provided he continued to pay his premium. Both these classes of business had to be treated on different principles. With regard to fire insurance their Lordships, eighteen years ago, had the English case before them, and were satisfied with the rules there laid down, which were that the contract was an annual contract, and though they could not make a complete deduction in the year in which the premiums were paid, yet what was not made in that year was allowed in the following year, and thus approximate justice was done between the Crown and the subject. They were asked to reconsider the question. He did not think any of their Lordships would hold that this Division of the Court would take it upon themselves to reconsider a question if it had been already decided by their own Division. His Lordship did not see anything in the circumstances of the case which ought to lead them to refer the question to a larger Court. On the contrary, the practical acquiesence in the decision of eighteen years ago showed that the insurance companies had not felt that they had much of a grievance. They might have appealed to the House of Lords, and they might appeal this case to the House of Lords; but sitting, as they were, in one Division

of the Court which had already considered the matter, it was enough to say that they must follow the decision.

The other Judges concurred.

Before Lords M'Laren, Kinnear, and Pearson.

June 5.

Thompson (Surveyor of Taxes) *v.* Western Steamship Company, Lim.

Income Tax—Insurance Fund and Trading Losses.

This was a case stated for Thomas Thompson, Surveyor of Taxes, Glasgow, against the decision of the Income Tax Commissioners in an appeal under the Taxes Management Act, 1880, by the Western Steamship Company, Lim., Glasgow. The respondents, the Western Steamship Company, are owners of the steamer "Kenmore," which was wrecked on 11th January 1904 and became a total loss. The vessel was insured with underwriters to the amount of £34,500, her market value before the wreck being £37,000. The owners, for their own protection, had established an Insurance Fund, into which they were in the practice of paying every year sums equal to the premiums of insurance which would have been payable to the underwriters in respect of the uninsured fraction of the value of the ship. The fund thus provided was liable to be drawn upon for losses, and the respondents said that by payment into this fund they insured themselves to the extent of the £2,500 which was not covered by any underwriter's insurance. In that state of facts, the company claimed, in a question with the Inland Revenue Department, to be entitled to a deduction from the profits of the year of £2,500, less a small sum recovered as salvage, on the ground that they had lost that sum in the course of their trading during the year. The Commissioners allowed the deduction, and this case was stated for the opinion of the Court of Exchequer.

The Court reversed the determination of the Commissioners, and remitted to them to disallow the deduction claimed by the company, and to refuse the certificate of overpayment of duty. The Surveyor of Taxes was found entitled to expenses.

Lord M'Laren said that the contention of the company was not quite consistent with the view which they put forward, that they had insured themselves to the extent of £2,500, because if they were insured then they had sustained no loss, and at most they could only claim deduction of the amount they had paid as an equivalent of the premiums into their own Insurance Fund. It was not a satisfactory answer to say that they had not been allowed to deduct these *quasi* premiums in the income-tax accounts. His Lordship did not see how the company could maintain the claim for such deduction, because, under the Income Tax Acts, sums which were set apart out of gross profits to meet future contingencies were not allowed as deductions from assessable profits or income. In any case, the Court must assume that the sums set apart as the equivalent of premiums were rightly treated as subject to income-tax, because the company had paid the tax, and had not appealed under that head. If the Court rejected the view that the company had insured themselves to the extent of £2,500, it followed (assuming that the ship had not been overvalued) that a loss had been sustained to the extent of £2,500. But in that view the company were in no better position to maintain this claim, because this was a loss affecting their Capital Account, and if anything was clear in the income-tax rules for assessment it was that losses affecting capital were not allowed as a deduction from the profits of the year. The most favourable view of the case for the respondents' argument was that the sum of £2,500 had to be provided by way of reinstatement in order that the company should be enabled to purchase a new ship. But the conclusive answer was that that was just a replacement of the capital sum which had been lost. If it could be replaced out of the company's Insurance Fund the company's Capital Account did not suffer diminution. If it could not be replaced in that way and the capital of the company was less by £2,500, then it was before the ship was wrecked, and that was a loss of capital, and was a loss which did not enter into the Trading Account on which income-tax was to be assessed.

COURT OF SESSION.

Third Division Constituted.

The following Act of Sederunt appointing the Judges and Clerk of the Third Division of the Inner House has been issued:—Edinburgh, 7th June 1907—The Lords of Council and Session, in pursuance of powers vested in them by the Court of Session Act, 1868, Section 8, as amended by Act of Sederunt of 20th March 1907, Section 1, hereby appoint Lord M'Laren, Lord Pearson, and Lord Ardwall to sit on and after Wednesday, 3rd July 1907, as a Court for the hearing and disposal of causes standing on the rolls of the First Division, and further appoint Mr. John Cairns, Depute-Clerk in the Outer House, to act as Clerk of said Court.—(Signed) J. H. A. Macdonald, I.P.D. Lord M'Laren and Lord Pearson are at present Judges in the First Division, and Lord Ardwall is one of the Judges of the Second Division. The vacancy on the Bench of the First Division will be

filled by Lord Dundas, senior Lord-Ordinary. It is understood that Lord Dundas has been instructed to clear his roll from the beginning of July till the 31st of October, that period including the summer vacation, which extends from 20th July till 15th October.

Scottish Insolvencies.

For the week ending 8th June the number of insolvencies reported in Scotland was 21, as compared with 28 in the corresponding week of last year. The trust deeds numbered 9, as compared with 14; the sequestrations 6, as compared with 6; and the petitions for cessio 6, as compared with 8. The total number of insolvencies for the twenty-three weeks of the year is 648, as compared with 591 in the corresponding period of last year—the trust deeds numbering 320 against 289, the sequestrations 123 against 144, and the petitions for cessio 205 against 158. Of the 9 trust deeds reported during the week, 8 were granted in favour of Chartered Accountants. No voluntary liquidations of limited liability companies were gazetted during the week, the total for the year remaining at 65.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
„ 25th 1907	4%

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There was some diversity in the manner in which learned Judges were addressed by the bar when sitting in Court before the Judicature Acts. The Vice-Chancellor, sitting in Lincoln's Inn, was always "Your Honour," and the Judge at Westminster "My Lord." The fusion of law and equity has introduced some uniformity of procedure in the exordium of a learned counsel, and every Chancery and King's Bench Judge is addressed as "My Lord"; the expression "Your Honour" having migrated to the County Courts. The tendency in the law reports, whenever it is necessary to speak of a Judge, appears to be to speak of "his lordship," an expression for which the words "the learned Judge" were substituted in the older reports. We have indeed heard that that erudite practitioner, Mr. Serjeant Williams, the editor of *Saunders's Reports*, could not bear to hear a puisne Judge called "My Lord." He insisted that this term of respect should be reserved for the chiefs of the different Courts. If one of the puisne Judges, following a custom which still lingers in the Courts, put a question to him before one from the chief had been answered, he was accustomed to say, "Sir, I will answer your observations after I have replied to my lord." The learned serjeant, we believe, went further, and contended that by ancient usage the President of the Court, and not his colleagues, had the right to hold speech with counsel. The usage must certainly have been beyond the memory of man, for it is wholly forgotten at the present day.—*Solicitors' Journal.*

The Chartered Accountants' Benevolent Association.

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During the year ended 31st March 1906, Relief was granted in 29 cases to the amount of £876 7s. 6d.

Donations and Annuities to necessitous Members are paid only out of the net Income received from Annual Subscriptions and Investments.

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Members of the Institute of Chartered Accountants are earnestly requested to become Members of the Association.

Moorgate Place, London, E.C. GEORGE COLVILLE, *Secretary.*

The Accountant

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RANGOON MUNICIPALITY.

NOTICE.

APPLICATIONS are invited, and will be received by the President, Rangoon Municipality, up to noon of the 25th July 1907, for the post of Secretary to the Municipality of Rangoon.

The appointment will be made by the Municipal Committee under Section 34 of the Burma Municipal Act, 1898, subject to the sanction of the Local Government.

The salary of the post will be Rs. 750, rising to Rs. 1,000 per mensem by annual monthly increments of Rs. 50. No exchange compensation or other allowances will be granted.

The successful candidate will be required to contribute to the Provident Fund of the Committee.

If the successful candidate is domiciled in England a first-class free passage to Rangoon will be allowed to him. Leave and leave allowances will be granted in accordance with the rules in force for Government servants.

Applicants should state their age, educational qualifications, nationality and experience, and should submit copies of testimonials and a medical certificate. The successful candidate may further be required to undergo a special medical examination by a Medical Officer to be appointed by the Committee. He will be required to join within two months of the receipt of information of his selection. The appointment is held subject to six months notice on either side.

By Order. R. O. WALES, Offg. Secretary,
Rangoon, 24th May 1907. Rangoon Municipality.

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Leading Articles.

The London County Council Audit.

THE announcement that Mr. W. B. PEAT, F.C.A., will (upon the recommendation of the Finance Committee) be asked to report, in conjunction with another member of the Institute to be nominated by him, on the Tramways, Steamboats, and Working Class Dwellings Accounts of the Council, with the object of showing the past results and present financial position of these undertakings from a commercial point of view, will be received with

much satisfaction by all who are desirous of arriving at the truth with regard to these much-contested matters. It is an additional cause for congratulation that Mr. PEAT and his colleague will be asked in particular to report as to the sufficiency of existing Reserve Funds, the formation of further Reserve Funds, the allocation of expenditure under several accounts (particularly in the case of tramways), the apportionment of street improvements, and the land appropriated for re-housing purposes. It is to be regretted perhaps that the term "Reserve Funds" should be retained in this connection when "Reserve for Depreciation" is obviously what is intended; but, however that may be, there can be little doubt that there will be forthwith instituted a searching inquiry into the principles upon which the trading profits of the Council have been computed in the past, and that, for the first time since these departments respectively came into existence, there will be a careful inquiry as to the actual financial position at the present time.

This so-called commercial audit, which is supplemental to the inquiry conducted by Mr. COCKERTON, the District Auditor, will no doubt be so arranged as to avoid any unnecessary overlapping. Mr. COCKERTON'S audit is practically continuous, and thus partakes rather of the nature of a staff audit, but for the important distinction that he is nominated by the Local Government Board, and not by the London County Council. It will, however, be just as easy to supplement his inquiry by a professional audit as it would be to similarly supplement the staff audit conducted in connection with practically all commercial enterprises, and the same lines will doubtless to a very large extent be followed—that is to say, neither time nor money will be wasted in verifying the details that may in all reasonableness be regarded as already ascertained; but careful and expert consideration will be given to questions of principle, without which the most conscientious inquiry into items must of necessity prove practically valueless.

It has been stated that the proposed expenditure upon the audit will not exceed one thousand pounds. It is obvious that for such a figure the inquiry must take the lines that we have indicated, for a detailed examination of items extending over several years past would, of necessity, be a very costly matter. But, apart from questions of economy, it is obvious that what is wanted is a broad review of principles rather than any pettifogging challenging of individual and relatively unimportant items; while, above all things, it is desirable that the result should be forthcoming speedily—a condition of affairs which of itself precludes any possibility of an audit in complete detail. Already something approaching three months has gone by since the election, and ratepayers are even now somewhat impatient for results. These should undoubtedly be forthcoming immediately after the close of the summer vacation, and with an inquiry upon the lines proposed no difficulty seems likely to arise with regard to this point.

We are glad to observe that, in part at least, our suggestion is to be acted upon, in that this inquiry is to be conducted jointly by two Chartered Accountants—a precaution which, as we have already pointed out, will go far to protect their report from any possible accusation of political bias; an eventuality which has been rendered still more difficult by selecting the President of the Institute for the time being, and by giving him, further, a free hand to appoint his co-auditor. This means, of course,

that, although in a sense the appointments have been made by the Council, every possible step has been taken to render them as independent as possible of political exigencies.

Simultaneously with this expert inquiry into the position of the accounts of the Trading Departments, Mr. EDWIN WATERHOUSE, M.A., F.C.A., is to be asked to report upon the accounts of the Works Department from a commercial point of view. This, again, follows our suggestion of cutting up the work into sections so that it might be proceeded with as rapidly as possible; and although we cannot help thinking that from some points of view it might have been a source of strength if all three Chartered Accountants had been requested to confer together and to issue a joint report upon all matters referred to them, it is absurd to suppose that the conclusions come to by the Chartered Accountants selected will not be universally accepted for what they are—the best obtainable expert opinions upon matters peculiarly within the province of professional accountants.

Pending the receipt of these reports, it would perhaps not be without interest to observe that Mr. COCKERTON's report on the accounts for the year 1905-6, which was submitted at the Council Meeting held on the 11th inst., shows *inter alia* that the Tramway Accounts have been so confused that it is impossible to arrive at the result of the separate working of the Northern and Southern systems, that there is a considerable want of uniformity as to the allocation of capital expenditure where two or more accounts are supposed to be involved, and that in the auditor's opinion the provision hitherto made for Depreciation is not in all cases sufficient. The powers of a District Auditor to adequately deal with such matters are, however, so limited as to be for all practical purposes non-existent; and this, of course, constitutes one of the strongest possible arguments in favour of supplementing the official audit by the commercial audit promised by the Reform Party at the last election—a promise which is now about to be redeemed upon eminently satisfactory lines.

Solicitors and Bookkeeping.

IT will be remembered that a short time since the Law Society appointed a Committee to consider and report as to what rules and regulations (if any) should be adopted by the Society as to the methods in which a solicitor should keep the accounts of himself and his clients and the audit thereof, the keeping and audit of trust accounts, the conduct of professional business, the formation of a guarantee fund, and as to the mode of enforcing such rules and regulations. It is, we understand, expected that the Committee's report will be published in good time for discussion at the annual meeting of the Society on the 5th prox., but in the meanwhile it appears to be very generally understood that some definite recommendations will be made upon the lines advocated by those at whose instance the Committee was appointed.

It is desirable, as well as convenient, that we should await the publication of the formal report before discussing this matter in further detail. In the meantime, however, it may not perhaps be out of place to refer to the questions set at the last Intermediate Examination of the Law Society on Accounts and Bookkeeping. We have, of course, no information as to the authorship of this paper beyond the impression, not unreasonably

formed from its perusal, that the examiner was not a professional accountant—a conclusion which, if correct, seems to justify the further assumption that the questions have been compiled by some member or members of the Examination Committee of the Law Society, and are thus fairly representative of the ideas as to accounts current at the present time among members of the Council of that body. If so, they occur to us as being particularly interesting at the present juncture.

The paper, which is supposed to occupy two hours, consists of five questions, each of which could be very fully answered in something less than ten minutes. We propose, however, to confine ourselves to two of these questions, as follows:—

32.—State shortly the main object with which (*a*) a Profit and Loss Account, and (*b*) a Balance Sheet are prepared at the end of a year's trading. (*c*) In which of the two would you look to find an item representing the balance resulting from the other, and on which side would the item appear?

35.—Explain how a firm of solicitors can simplify their bookkeeping (*i.e.*, reduce the number of entries) by agreeing to treat expenditure on repairs, renewals, and additions as compensating for depreciation of furniture, &c.

Taking first of all No. 32, it may be pointed out that, save in the case of companies' accounts—which do not appear to be referred to at all in the paper under review, and which are not so much as mentioned in the text-book recommended by the Society—it is unusual to find an item in the Balance Sheet representing the balance of the Profit and Loss Account, and that therefore the point of Subsection (*c*) is somewhat obscure. The ordinarily accepted method of dealing with profits is to credit them either to Capital Account or to Current Account before taking out the Balance Sheet; and, where that course is pursued, there is, of course, no item upon the Balance Sheet representing the balance of the Profit and Loss Account.

No. 35, without any further explanation, would appear to suggest that, in the opinion of the examiner, it is desirable that solicitors should ignore provision for depreciation of furniture, &c., in their accounts, for that which is spoken of as "simplifying" their bookkeeping must presumably be regarded as being in itself commendable unless the contrary be clearly stated. It would be difficult to give worse advice to any solicitor commencing practice, for in all probability no expenditure upon repairs or renewals could be usefully incurred during the first five years or so, with the result that in the meanwhile the profits would be decidedly over-stated. Whether the extent of the error would be of really serious importance depends, of course, a good deal upon the amount of the original outlay and the size of the business. But, inasmuch as 10 per cent. off the reducing balance may be normally regarded as the minimum provision for depreciation, it is clear that the amount cannot be altogether negligible, and it certainly does not seem desirable that such an examination as this should be used as a means of encouraging students to suppose that proper provision for depreciation is of no importance. Equally incorrect is it to suppose that there could be any possible connection or correspondence between additions to furniture and depreciation of furniture; and, indeed, the whole question seems to us to be calculated to serve no other purpose than to confuse the candidate as to the proper distinction between Capital and Revenue, which is

perhaps one of the most important things that he requires to learn.

If this paper can be regarded as representative of the views entertained on Accounts and Bookkeeping by the present Council of the Law Society, we cannot help thinking that it is useless to expect any very intelligent reform of existing methods until the *personnel* of the Council has been changed.

The Union of Chartered Accountant Student Societies' Transactions.

THE Union of Chartered Accountant Student Societies has recently issued its annual volume comprising the Joint Transactions of the London, Birmingham, Nottingham, Hull, Northern, and Leicester Chartered Accountants Students' Societies for 1906, edited by Mr. W. C. NORTHCOTT, A.C.A.

It appears that no additional Societies have joined the Union during the year under review, and it will probably even be noticed that the 1906 volume is somewhat less bulky than its predecessor. This, we are told, is due mainly to reasons of economy. And as the financial position of the Union is not disclosed in the volume before us, this statement must be accepted, albeit with regret, for no doubt lecturers who receive no payment for their trouble may consider themselves slighted by being left out of the Transactions.

At the same time it must be admitted that the selection made by the Editor is a very satisfactory one, the more so bearing in mind the invidious duties thrown upon him. It is quite possible that some of the papers omitted may be regarded as of greater permanent value than certain of those that find a place in the Transactions; but however that may be, and in such a matter individual opinion must of course go for much, it cannot be gainsaid that the volume as it stands represents a very satisfactory record of twelve months' work, and contains a number of papers of more than ordinary interest.

The accountancy papers comprise "Colliery Accounts," by Mr. E. E. PRICE, F.C.A.; "The Rights of Partners *inter se*," by Mr. S. S. DAWSON, F.C.A.; "Vouching in the Conduct of Audits of the Accounts of Joint Stock Companies," by Mr. H. E. BARHAM, F.C.A.; "The "Duty and Responsibility of Auditors with "regard to the item 'Stock-in-Trade' on a "Balance Sheet," by Mr. CYRIL F. BIRD, A.C.A.; "The Principles of Percentages of Cost as applied to Various Businesses," by Mr. W. H. FOX, F.C.A.; and "The Preparation "of Accountants' Certificates for purposes of "Joint Stock Company Flotations," by Mr. ARTHUR F. DODD, F.C.A. The legal papers contributed comprise "Sureties," by Mr. T. LINDLEY, LL.D.; "Parliamentary Companies," by Mr. F. N. KEEN, LL.B., A.C.A.; "The Present Legal Position of Auditors, their Rights and Responsibilities," by Mr. J. J. PARFITT, B.A.; "Notes on the New Table A," by Mr. D. F. DE L'HOSTE RANKING, M.A., LL.D.; and "The Law Affecting Partnership," by Mr. LAURENCE J. KIRKHAM. Probably, however, upon this occasion the interest centres chiefly round what we may regard as the miscellaneous papers, which comprise "Bankers and their Relation to the Money Market," by Mr. STANLEY G. SMITH, A.C.A.; "Local Authorities and their Work," by Mr. PERCY ASHLEY, M.A.; "Compositions and Schemes of Arrangement in Bankruptcy," by Mr. A. H. PARTRIDGE, A.C.A.; "Graduation of Income Tax," by Mr. C. E. ISAACS; and t

Presidential Address of Mr. F. C. SQUANCE, F.C.A., to the Northern Students' Society. All these represent a satisfactory and fairly comprehensive volume, but a study of the full programmes of the various Societies discloses somewhat important omissions, such, for instance, as Mr. T. H. CLARE's paper on "Local Authorities and their Finance" to the London Society; the Presidential Address of Mr. E. M. CARTER, F.C.A., at Birmingham; the lecture on "Jewellers' Specialised Book-keeping," by Mr. ALLEN EDWARDS, F.C.A., to the same Society; that on "The Criticism of Accounts," by Mr. W. R. HAMILTON, F.C.A., at Nottingham; "Brewery Accounts," by Mr. H. LANHAM, A.C.A., at Hull, and others which are almost too numerous to mention.

The conclusion almost irresistibly drawn from a perusal of the volume now before us is that while the Union has undoubtedly been the means of placing before accountant students in a combined form copies of papers delivered at meetings of Societies other than their own, the net result is to considerably reduce the number of papers thus placed upon record in the form of Transactions; and if the only reason for this reduction of printed matter be the financial one, we do not think that it ought to be allowed to continue. If the present scale of levies be inadequate, it is surely capable of being increased. It is true, of course, that the various papers excluded from the present volume are available to our readers, but that does not appear to us to altogether dispose of the matter. The more or less arbitrary selection of papers imposes upon the Editor an invidious task which we do not think he ought to be called upon to fulfil; and there is, at all events, a danger that in some instances it may give rise to a feeling that efforts have been inadequately appreciated, as they have certainly been somewhat scantily recognised. Such an impression is not likely to smooth the task of honorary secretaries in securing a continuous supply of lectures of the right description and quality, and if these risks could be overcome by some slight expenditure it would, we are convinced, be wise to face the situation, and to remodel the Budget for 1907 accordingly.

Weekly Notes.

Committee on Bankruptcy Law. The fortieth meeting of the Bankruptcy Law Amendment Committee was held on the 14th inst., at the Royal Courts of Justice, under the presidency of Mr. Muir Mackenzie, the Chairman. Evidence was given by Mr. E. Leadam Hough, the Senior Official Receiver in Bankruptcy attached to the High Court, who placed before the Committee the views of the Board of Trade on the principal questions contained in the terms of reference to the Committee, as well as the results of his own personal experience.

Accountants' Scholarships. At the last meeting of the Institute of Chartered Accountants it was reported that Mr. J. G. Griffiths, F.C.A., had offered to place a the disposal of the Council Stock to the nominal value of £1,000 left to him under the will of the late Mrs. Deloitte, with instructions for him to deal with it as he might think desirable. Mr. Griffiths intimated his desire that one-fifth of the income of the investment during five years' service under articles should be offered every year as a prize to the best candidate of the year at the Preliminary Examination. Pecuniarily, a scholarship of this amount may perhaps be no very great prize, but its establishment will doubtless have the excellent effect of producing a keener competition at the Preliminary Examination, in that the recipients of this prize will necessarily be somewhat marked out for distinction, and thus should, in the long run, derive benefits from their success far in excess of the amount of money involved. We think, however, that both with regard to this and to the Robert Fletcher Prize it would perhaps have been better had the lead of the Law Society been followed, and the money prizes described as scholarships, and

the recipients thereof as scholars, thus emphasising the distinction, and accordingly increasing the estimation in which it is likely to be held by accountant students.

Candidates for Accountancy Examinations. It is of interest to observe that the total number of candidates at the recent examinations of the Institute of Chartered Accountants was 545, which, by a curious coincidence, is exactly the same as last year. The figures are, however, slightly different, there being seven more candidates for the Preliminary, three less for the Intermediate, and four less for the Final. For all practical purposes, however, the figures may be regarded as stationary in each case. On the other hand, it may be noted that the more recently constituted Chartered Institute of Secretaries shows an aggregate increase of thirty-two in the number of its candidates, there being one less for the Preliminary Examination, thirty more for the Intermediate, and three more for the Final.

English Companies in France. With regard to M. Pellerin's letter in our last issue, while we agree that it may, perhaps, be unduly oppressive to require such companies to advertise the full text of their memorandum and articles of association translated into French before allotting any shares, &c., we may, perhaps, be allowed to express our entire concurrence with the principle involved, that foreign limited liability concerns seeking to raise capital should be placed upon a footing with similar concerns of home growth, both in the matter of fees and safeguards exacted for the protection of the investor. It may, and doubtless will, be urged that such a contention is entirely foreign to the spirit of free trade; but however that may be, our view is that it is the duty of the Government in each country to protect its own industries and its own investors against the inroads of the foreigner, rather than to offer preferential advantages to the latter to the detriment of those whose interests it is supposed to look after.

Income-tax Exemption. In reply to a question asked in the House of Commons by Col. Williams a short time since, the Chancellor of the Exchequer stated that an owner farming his own land and making no profit whatever, not even anything towards the rent of the land farmed, can obtain relief from the tax assessed under Schedule A in virtue of Section 23 of the Customs and Inland Revenue Act, 1890.

Railway Legislation in the States. Following the Public Services Commission Act, which we noticed last week, come reports of various measures suggested in other States which bear the hall-mark of the freak upon them. In Michigan, for instance, it is proposed that every railway in the State should have a policeman for every five miles of track—at an estimated cost of £400,000 per annum; every facility is afforded to competitive street railroads; and a Commission is being appointed with power to fix rates, decide on the number of trains to be run, and time-table details. In Pennsylvania, in addition to a similar Commission, the State Legislature has fixed the maximum passenger fares at 2 cents per mile, though the company's charter (the Pennsylvania Railroad) permits a minimum fare of 5 cents. This little point is to engage the attention of the Courts. What the outcome of all this anti-railroad feeling will be one can only conjecture, but it does not seem unreasonable to suggest that, if capital is scared off railroads, future facilities may be somwhat cramped. One peculiarly cynical feature of the campaign must not pass unnoticed. It has hitherto been deemed the height of prudence and sound finance to charge as much as possible of the betterment expenses against revenue, but a circular issued by the Inter-State Commerce Commission respecting the form of railway accounts is reported to contain the following words: "It should be "understood that these operating expenses must not be "burdened with expenditures for additions, such as new "and additional equipment, tracks, buildings, ballast, "and other additions to the property, the purposes of "which are to improve the property operated." The object of this is apparently to show that the railway transport business is more remunerative than is admitted by the railroad officials, but exactly what plank in the cause of reform it is intended to support is by no means clear.

Auditors and the Companies Bill. We are interested to observe the reply of our correspondent "Scot" to the Note which appeared under this heading in our issue of the 1st inst. We may point out, however, that, so long as there is a proper understanding between the Chartered Accountant in employment and his principal, no difficulty whatever arises under the clause at present in the Companies Bill, 1907. Provided he has the permission of his principal, there is certainly no law to prevent a Chartered Accountant from being in practice and in employment at one and the same time.

Joint Holdings and Death Duties. In reply to our correspondent "Holderness," the question as to the amount upon which estate duty is payable depends entirely upon the facts of the case. If the property standing in joint names belonged to the two parties in equal shares, then, upon the death of one, estate duty should be paid upon his or her half-share. Very frequently property is put into joint names with the object of avoiding the payment of estate duty—but that, of course, is another question.

Gas Companies The question asked last week by our correspondent "Romano" is a purely legal one. We may mention, however, that in our opinion the company, having obtained a provisional order in 1892 which incorporated the provisions of the Land Clauses Act of 1847 and the Gas Works Clauses Act of 1871, cannot now increase its capital merely by registration under the Companies Acts. The question remains, however, what is its present authorised capital?

The Institute's Examinations. The question raised by our correspondent last week as to how numbers are allotted to candidates is one of some interest, and *prima facie* it might perhaps seem that there were risks of error connected with the system he describes. We may point out, however, that it would be very little use requiring candidates' work to be identified by numbers only unless the secret were well kept. We understand that the Secretary of the Institute personally attends to this matter, and, that being so, there is but little likelihood of the notices containing the numbers being inadvertently placed in the wrong envelopes. If the candidate's number and name appear upon the same document it would, it seems to us, be useless to pretend that there was any secret at all about the matter.

Education of Bankers in Scotland. In the course of his presidential address at the annual meeting of the Institute of Bankers in Scotland last week, Sir George Anderson gave some interesting particulars of the outlook for bank officials in the North. He is reported to have said that he thought there were not more than five or six thousand bank officials in Scotland, inclusive of apprentices, who numbered probably about one-fifth of the whole. There were nearly 1,200 branch banks in the country, and as each required an agent, it would be seen that the choice of men was not very great, and the field of selection not wide. The membership of the Institute has increased from 1,285 four years ago to 1,806, while the number of candidates for the same period compares as 52 to 816; it appears, therefore, that the younger members of the banking profession are interesting themselves in the special education necessary for their work.

An Additional Judge. The announcement made last week by the Attorney-General that it was the intention of the Government at an early date to invite Parliament to adopt a resolution for the presentation of an Address to the King for the appointment of additional Judges will be greeted with general satisfaction. The continued block in the King's Bench Division has been something of a public scandal for many months past, but should the Criminal Appeal Bill become law it may well be questioned whether one additional Judge would be very much help.

Accountants Advertising. The firms of Scotch accountants referred to in the paragraph on p. 804 of our last issue inform us that the circular by the Melbourne accountants was issued without their knowledge or approval, and that on the very day of its receipt they cabled demanding its withdrawal, but too late to stop the despatch of copies to members of the profession here.

Cases to be Noted. We would call the attention of practitioners to three important recent cases which will be found in our Law Reports this week, and which are sufficiently self-explanatory in themselves without further comment. We allude to *Wheatley v. Smithers and another; British Vacuum Cleaner Co., Lim. v. New Vacuum Cleaner Co., Lim.*; and *Curtice v. London City and Midland Bank.*

Financial Advertisements. After answering an advertisement for "a working partner in a light business," a correspondent of a daily paper received a communication from the advertiser to the effect that £100 was required to provide for a half-share of the business, and it was stated that this would produce about "£2 10s. per week, being half of the gross profits," and that there was every indication of that increasing to much more. It would seem to be rather a curious kind of partnership where gross profits are shared, for one naturally inquires as to what is to become of the expenses of the business.

A Veritable Judgment. The fact that a lady has just obtained judgment in the King's Bench Division for £827,000 against a company promoter is put forward as some evidence of the great advance in the wealth of this country since the beginning of the last century. It may be that this is true, but wealth, after all, is only a relative term, and—we hope the lady will get the fruits of her judgment!

Formal Receipts. Our correspondent "Quære" does not state whether or not he occupies the position of auditor to the company referred to. If he does, we think it would only be reasonable for him to regard the absence of formal receipts as suspicious if of his own knowledge he knows that the firm in question stipulates on its printed receipt forms that no other form of receipt will be recognised. We should certainly suggest that he require this rule to be strictly adhered to. A rule that is made and not kept is, in all cases, most unsatisfactory.

Progressive Death Duties. The President of the United States delivered an address to the National Editorial Association last week at Jamestown, when he advocated a progressive inheritance tax. He is reported to have said that the principle of progressive taxation of inheritances in money had been authoritatively recognised by legislation of the United States Congress, and was now adopted by the leading civilised nations of the world. In reviewing the development of the system he referred particularly to Germany, where the tax was an Imperial measure, but a portion was allotted to the individual States of the Empire, and they were permitted to levy taxes in addition to those imposed by the Imperial Government. This plan had more than once been followed in the United States. Mr. Roosevelt heartily commended one feature of French law, namely, that under which the progressive principle is so applied that each higher rate is only imposed on the excess above the amount subject to the next lower rate. He thought this plan was peculiarly adapted for the purpose of working out the theory of using the inheritance-tax for the purpose of limiting the size of inheritable fortunes, since the progressive increase might thus be carried to its logical conclusion by the imposition of a maximum tax of nearly one hundred per cent. on the amount in excess of the specified sum, without being in any sense confiscatory. He thought the tax could be made to bear more heavily upon persons residing out of the country than upon those residing within it, and he did not believe any advantage accrued either to the country as a whole or to individuals inheriting money by permitting the transmission in their favour of such enormous fortunes as had been accumulated in America.

House Questions. The Chancellor of the Exchequer is still busy in the House of Commons answering various questions of financial interest. Mr. Pike Pease asked whether the £44,288, given in Return No. 155, recently issued, was the total sum employed by the Treasury for the purchase of 2½ per cent. Consolidated Stock in the past financial year, and, if so, why a larger proportion of the sum available for the cancellation of the National Debt was not devoted to the purchase of this class of Stock. The reply was to the effect that the sum mentioned in the return was the total sum applied to the cancellation of Consols in the last financial year, and under the circumstances of the time it was considered preferable to apply the old and new Sinking Fund mainly to the extinction of unfunded debt. Accordingly Treasury Bills to the amount of over £4,400,000 were bought and cancelled in addition to the £1,000,000 of Exchequer Bonds drawn and redeemed under the late Government's scheme. There were, however, other funds available for the reduction of the funded debt during the year, and the total reduction of the amount of Consols was £1,871,165.

The Bank of Liverpool. In the Lancashire Chancery Court at Liverpool last week a petition by the Bank of Liverpool was heard, which asked leave to substitute, for the present deed of settlement, memorandum and articles of association which would have the effect of enlarging the powers and scope of the bank's operations in accordance with modern practice. Some discussion seems to have taken place as to the clauses denoting the objects of the concern, and the Vice-Chancellor expressed the opinion that they were wide enough to enable the bank to start a racecourse, or any commercial undertaking. On behalf of the bank directors, it was contended that the operation of such clauses was limited by the words "where such "arrangements are conducive to the interests of the "company." The Vice-Chancellor said he would not set his opinion against that of the shareholders', as he did not suppose the Bank of Liverpool intended to do anything out of the ordinary, but the clauses seemed to be extraordinarily large, and in future applications of that kind he would like to see some modification.

"The Sub-Division of Audits." A correspondent of the *Financial Times* quotes Pixley's Auditors, in which it is said: "In a few companies auditors are appointed to look after the interests of a particular class or section," and that "these specially appointed auditors have to "ascertain that their clients receive their full privileges, "and that the reserves for depreciation, for loss on "realisation of debts and the general reserve, are not "unduly high," and makes the suggestion that, as in these days there are many and varying interests in the average limited liability concern, it might be desirable that each interest should have its official representative at "the audit" to ascertain that justice is done to each particular class. Our contemporary's correspondent presupposes that the auditor of to-day is incapable of keeping a clear head during the course of his audit, so that he might not do justice to all parties. This requires to be proved before it can be adopted, and unless this particular argument *can* be proved, there does not seem to be much value in the suggestion. We should fancy that the plan suggested would be rather expensive from the company's standpoint, and would merely mean that some portion of the auditorial work was being performed three or four times over. We have not heard it mooted before that it was difficult for an auditor to see that justice was done to all classes of shareholders, but, perhaps, some proof may be forthcoming in support of the contention.

Company Statistics. In the House of Commons last week, on the motion of the President of the Board of Trade, the following returns were ordered to be made:—

(1) Of the companies registered during the year ended the 31st December 1906 which filed a prospectus, and to which certificates to commence business have been granted, stating:—The date of registration, date of the prospectus, amount of the nominal capital, amount of each share, amount issued or to be issued otherwise than for cash, amount offered for subscription in cash, amount underwritten, commission for underwriting, minimum subscription required, amount allotted before commencing business, amounts per share payable on application and allotment, total directors' share qualification, if any, and date of the certificate to commence business.

(2) Of the companies registered during 1906 which filed a prospectus, but to which certificates to commence business have not been granted, stating the particulars in (1), so far as they are applicable.

(3) Of the companies registered during 1906 which filed a declaration that the company "does not issue "any invitation to the public to subscribe for its "shares."

(4) Of the companies registered during 1906 which have not filed a prospectus or a declaration that the company "does not issue any invitation to the public to subscribe for its shares," and stating the particulars specified in (1), so far as they are applicable.

(5) Of the companies which were dissolved or struck off the register during 1906.

(6) Of the total number of companies which were dissolved during 1906:—

(1) By order of the Court; (2) after voluntary liquidation; and (3) pursuant to the provisions of Section 7 of the Companies Act, 1900.

(7) Of the total number and nominal paid up and considered as paid up capital of the companies registered during 1906 in London, Edinburgh, and Dublin respectively, distinguishing limited companies from unlimited, and companies registered with a nominal capital from companies registered without such capital.

(8) Of the total number and paid up capital, including amounts considered as paid on vendors' and other shares, of all companies having a share capital which were on the register on the 30th April 1907, except such companies as were in course of liquidation or removal from the register under the provisions of Section 7 of the Companies Act, 1900.

(9) Of the total number and nominal capital of the companies registered in England, Scotland, and Ireland respectively in every year since the commencement of the Companies Act, 1862 to 1906 inclusive.

(10) Of the fees and capital duty paid in respect of registered companies during 1906.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

The Income Tax Reduction League.

(To the Editor of The Accountant.)

SIR,—I enclose a list of the Committee of the Income Tax Reduction League, which was formed on Tuesday last.

Lord Avebury is the first President, and the Hon. Herbert Gibbs Vice-President.

Its aims are:—

(1) The organisation of income-tax payers.
(2) The reduction of the rate.
(3) To impress upon successive Governments the necessity for taxing trading concerns upon the distributed profits only.

At present, I am acting as Hon. Secretary and Treasurer at the address below, and shall be pleased to give any information desired to your representative.

A first subscription list will shortly be published, and I shall be glad to receive subscriptions or donations from persons interested in the movement.

Yours faithfully,

T. HALLETT FRY.

2 *Cloisters, Temple, E.C.*
June 13th 1907.

Sir H. Seton-Karr, K.C.M.G.; Sir Walter Wilkin; Right Hon. Lord Avebury, F.R.S.; Hon. Herbert Gibbs; Sir John Puleston; Earl of Kinnoull; Mr. E. B. Merriman; Sir Thomas Brooke-Hitching; Mr. G. H. Bryan, M.P.; Sir Alfred Hickman, Bart.; Sir John Brickwood; Mr. H. Drysdale Woodcock; Right Hon. Lord Stanley, K.C.V.O.; Mr. T. H. Morris, J.P.; Mr. Charles Carus-Wilson, F.R.S., Edin.; Sir John Craggs, M.V.O., F.C.A.; Sir H. Trueman Wood; Mr. John Holt Schooling, F.S.S.; Mr. Hugh Chisholm; Mr. Percy S. Cox; Le Viscomte de la Chapelle; Mr. W. Bruce Clarke, M.A., M.B., F.R.C.S.; General Babbage; Mr. J. C. Sanderson; Mr. P. Lyttleton-Gell; Professor H. S. Foxwell, M.A.; Mr. Horace Cox; Mr. C. A. M. Barlow, M.A., LL.D., L.C.C.; Mr. T. Hallett Fry.

The Question of Depreciation.

(*To the Editor of the Accountant.*)

SIR,—It is surely time that, as accountants, we ceased to display our lack of acquaintance with this subject. The method proposed by Mr. P. D. Leake was urged so far back as January 1894, in an article in *Engineering*, Vol. 57, p. 69, where a form of depreciation by equal amounts is given, these equal amounts being arrived at by the purchase price of each machine, less estimated scrap value, divided by the estimated life. On the same page will be found reasons for the need of expert engineering knowledge in arriving at a true scale of depreciation. The subject is further discussed in *Engineering* of August 9, September 20, and October 4 1901, and at least in three published books, two of which have passed into second editions, whilst the third is one of the volumes of "The Accountants' Library." Mr. Leake's method is therefore no new theory, but merely a rehearsal before a fresh audience.

Yours faithfully,

FRANCIS G. BURTON.

Manchester, 17th June 1907.

The Working of the New Table A.

(*To the Editor of The Accountant.*)

SIR,—Would some of your readers favour me with their experience of the working of the new Table "A." Several solicitors are very much prejudiced against it, but it seems to me that it should work smoothly and easily. Any experience of its working, or of its defects or shortcomings, will be much appreciated by,

Yours faithfully,

17th June 1907. SIGMA (F.C.A.).

Gas Companies.

(*To the Editor of the Accountant.*)

SIR,—The reply to "Romano's" question is quite clear. If he will look again at the provisional order he refers to he will see that it does not "authorise" the raising of any capital, but that it *limits* the amount of capital which the company may raise to £20,000, so that the company can raise a further £10,000 in accordance with their memorandum and articles of association under the Companies Acts.

The effect of the provisional order was to give the company further powers beyond, but not in lieu of, their memorandum and articles, and in return certain restrictions were imposed upon the company as to the amount of capital they could raise, the price to be charged for gas, &c.

The question asked by "Romano" is a legal and not an accounting one, and, if he consulted the company's legal advisers, they would, no doubt, advise him as above for a consideration.

X.

English v. American Accountancy Practice.

(*To the Editor of The Accountant.*)

SIR,—I notice that Mr. A. Pilling's remarks regarding Ledgers for purchases in his letter, reproduced in your issue of 18th ult., have so far passed without comment; but I think the subject might well be discussed at some length, as the best methods of recording

purchase or expense transactions should be thoroughly considered by all practising accountants in the interests of those of their clients who may be manufacturers, tradesmen, and the like. We are (or should be) always open to learn from our American cousins, but I do not agree with Mr. Pilling when he advocates doing away with the Purchase Ledger (in whatever form). Mr. Pilling speaks of posting direct to the Nominal Accounts as if it were something new, but so far as my experience goes I should say it is very old-fashioned; indeed, this seems to have been the first step to raising the Nominal Accounts. Then an advance was made by having more columns introduced in the Cash Book, and instead of posting each individual amount to the Nominal Ledger the payments were classified under various headings and posted in total. Then the next step brings us down to the present day Purchase or Expenses Journal, which, I am sure, nearly all English accountants will agree is ideal, and the slightest practical experience approves of it. In the first place, there is no need of troubling one's head so very much about "those outstandings," as with the Journal every invoice or demand note that comes into the office is entered in the Journal in order, thus all liabilities at any date will appear in the Ledger.

Mr. Pilling says "outstandings are added at balancing periods and the charge for the period completed"; but how long does it take to find out the outstandings where there is *no* Ledger Account of some sort, whether on cards or bound in a Ledger? It is surely not an unknown thing to have to hunt about for a mislaid statement or invoice before outstandings can be arrived at, and in the case of expenses sometimes, where no Ledger Account has been kept, to have to wade through a lot of old invoices, &c., to find out, say, the period covered by a payment. I think here Mr. Pilling seems to be a little ambiguous, for he speaks of payments posted direct to Nominal Accounts, and then below of instant reference to any creditor's account; if it is merely the bound Ledger that he objects to, then I admit it is better to have the Ledger Accounts on cards; but I should like Mr. Pilling to explain where the "saving of labour" comes in by discarding the Purchase or Expenses Journal, posting cash to the Nominal Accounts, and also posting invoices in a sort of memo. way to Creditors' Accounts on cards. It seems to me that the English way is unequalled—*i.e.*, posting from the Journal to the Creditors' Accounts on the cards or into a bound Ledger; and in many cases it is far easier to classify expenditure by using a Journal—*e.g.*, take the case of an invoice containing particulars of capital and revenue expenditure, without a Journal the invoice has to be analysed on the counterfoil of the cheque book, so that when the cheque is entered in the Cash Book it may be "split up," or else separate cheques must be drawn for the two kinds of payments. Hoping these remarks may elicit other opinions on the subject,

Yours truly,

June 18th 1907. ARTICLED CLERK.

Compensation Levy.

(*To the Editor of The Accountant.*)

SIR,—With reference to Mr. Hill's letter of the 10th inst., there is a similarity between the compensation levy and the charge for depreciation of a lease. The levy is virtually a setting aside of profits which are subsequently used for writing down the value of a partially lost asset, and I maintain that, if the charge is allowed before arriving at the figure for assessment under Schedule D, the whole of the sum received should be brought in.

As regards Mr. Husey's letter there are several differences between compensation levy and fire insurance premiums—*e.g.*, in the case of a fire it is possible, and often obligatory, to repair the damage, whereas it is impossible to make use of the amount received from the Compensation Fund in the way of reviving a licence. Moreover, a brewer is not allowed to charge fire insurance premiums on tied houses in his accounts before assessment. Also it must be borne in mind that there are special features in connection with a licence which do not obtain in the case of unlicensed property.

In conclusion, may I tender through you my personal thanks to Mr. Hill for giving us the benefit of his experience.

Yours faithfully,

18th June 1907. EMOCNIXAT.

Central Association of Accountants—A Disclaimer.

(*To the Editor of The Accountant.*)

SIR,—The attention of my clients—The Central Association of Accountants, Lim.—has been drawn to a leading article of the current number of your paper in which you state that the Secretaries' Association therein mentioned was registered by the Secretary of the Central Association of Accountants, Lim.

I am instructed to inform you that my clients have no connection whatever with the Association in question, the papers relating to which, they have ascertained, were filed

by Mr. W. G. Hall in a professional capacity, and that he used neither the name or the address of the Central Association of Accountants in relation thereto.

My clients strongly protest against the unjustifiable and misleading introduction of their name into the article in question, which is causing them serious injury, and in view of the above assurance my clients desire that you will be kind enough in your next issue to give an equal publicity to this disclaimer in order to correct the erroneous impression which your article has created.

I am, Sir, your obedient servant,

London, 18th June 1907. JAS. LEE SMITH.

Reserves and Reserve Funds.

(*To the Editor of The Accountant.*)

SIR,—May I trespass on your space to put the following question:—

Is it correct, from an accountant's point of view, for a company to earmark certain investments and call the total "*Reserve Fund*" without creating a "*Reserve Account*" of equal value on the Liability side of the Balance Sheet out of profits? In other words, is such a Reserve Fund properly a "Reserve Fund" at all? Is it not rather "*Reserved* Funds" on investments?

Yours faithfully,

19th June 1907. INQUIRER.

Obituary.

William Briggs, F.C.A.

WE regret to announce the death of Mr. William Briggs, F.C.A., of the firm of Hudson, Smith, Briggs, Smith & Taylor, Chartered Accountants, of Bristol and London. Mr. Briggs died on the 11th June after a short illness consequent upon a stroke of paralysis. He had been in delicate health for some time, and last year he was away from business for several months. Mr. Briggs was an original member of the Institute of Chartered Accountants, and had spent practically the whole of his business life in Bristol and South Wales, where his loss will be felt by a large circle of friends, as well as by his two surviving partners, Mr. Clare Smith, F.C.A., and Mr. Arthur Taylor, F.C.A. He was a former secretary, and subsequently a director, of the Great Western Colliery Company, and was also professionally connected with Norths Navigation Collieries and the Lewis Merthyr Collieries. Mr. Briggs was fifty-five years of age, and leaves a widow and five children to mourn his loss.

The funeral took place on the 14th inst. at St. Mary's Churchyard, Stoke Bishop. The following were the mourners:—Mrs. Briggs (widow), the Rev. H. S. Briggs and Master Briggs (sons), Miss Briggs (daughter), Miss Constance Briggs (sister), Miss Featherstone and Miss L. Featherstone (sisters-in-law), Mr. and Mrs. Clare Smith, Mr. Arthur Taylor, Dr. Dacre, Mr. Sage, Mr. Hall, Mr. James, Mr. J. McMurtrie, and Alderman C. J. Low. The funeral service was conducted by the vicar (Canon Alford), assisted by the Rev. W. F. Bryant, of St. Mary's, Tyndall's Park. Amongst those present at the interment were Professor Ferrier, Mr. Charles Thomas, Col. Ellis, the Town Clerk (Mr. E. J. Taylor), Messrs. E. N. Tribe, J. Bolton, F. Brain, F. W. Baber, representing Bristol Chartered Accountants; J. G. Dennehy, Philip Triggs, A. J. Russell, F. Clark, G. G. Johnson, F. Percy Jenkins, C. E. Parry, W. B. Harris. Messrs. Hudson, Smith, Briggs & Co. were represented by the following:—Messrs. T. E. Bullock, J. Herbert, T. E. Jones, A. H. Fielden, A. H. Holbrook, W. H. Crocker, W. G. Duggan, B. Tedman, E. S. Tanner, S. W. Cornwall, H. K. Barton, W. H. Hoskins, H, Tolley, and G. Davis. The coffin bore the inscription on the breast-plate: "William Briggs, died 11th June 1907; aged fifty-five years."

The Bristol Chartered Accountants Students' Society.

Notes on Principal and Agent.

By Dr. TINSLEY LINDLEY, LL.D.

A Lecture read before the above Society.

"QUI facit per alium, facit per se" is the maxim implying the means whereby a person—called an agent—is employed to bring another person—the principal—into legal relationship with third parties. There is no restriction upon employing such a person unless the same be expressly forbidden by statute. (*R. v. Kent Justices*, L.R. 8 Q.B. 305; *Re Whitley Parsons*, 32 Ch.D. 337.)

Classification of Agents.

(1) *Special.*—Those authorised to do a particular act, and therefore invested with limited authority.

(2) *General.*—Those authorised to do all or any acts coming within the limits of the position in which they have been placed.

(3) *Universal.*—Those whose authority is unlimited.

Appointment.

A person under disability to contract cannot get rid of such disability by merely appointing an agent to act for him, though a person under disability may be appointed an agent. (See *King v. Ballard*, 1 H. & M. 343.)

Methods of Appointment.—

(*a*) *Under Seal.*—If the agent is to have authority to contract under seal, then his appointment must be under seal (a power of attorney).

By the Statute of Frauds, Sections 1, 3, where the agent is to enter into contracts therein referred to—viz., the granting of leases exceeding three years—he must be authorised in writing, but 8 & 9 Vict. c. 106, s. 3, now requires a deed where the Statute of Frauds required writing.

(*b*) *In Writing.*—By the Companies Act, 1900, Section 9 (ii.), any agent signing a prospectus must be authorised in writing. In cases under the Sale of Goods Act, 1893, the agent may be verbally authorised.

(*c*) *By Parol.*—No particular form is required unless there be some special provision; therefore, an agent in most cases may be appointed verbally, but writing is the more satisfactory, when care should be exercised to include all the terms of the contract of employment.

(*d*) *By Implication.*—"Where one has so acted as from "his conduct to lead another to believe that he has "appointed someone to act as his agent, and knows that "such other person is about to act on that belief, then, unless "he interposes, he will in general be estopped from denying "the agency, though, in fact, no agency existed." (*Pole v. Leak*, 33 L.J. C. 162; see *Ball v. Dunsterville*, 4 T.R. 313.)

This may arise from conduct of the parties—

e.g., a servant habitually buying for his master;

or from situation of the parties—

e.g., a wife is an agent for her husband, according to circumstances;

a partner in a firm;

or from necessity—

e.g., a ship's master, to pledge for repairs and supplies, upon necessity arising during a voyage (*Hall v. Jupe*, 49 L.J. C.P. 721);

common carrier in case of necessity (*Great Northern Railway v. Swaffield*, L.R. 9 Ex. 132).

(*e*) *By Ratification.*—Although the relation of principal and agent may not be in existence at the time the contract is entered into, yet the principal, by adopting the contract, will be bound to the same extent as if the contract had been made by his authority.

The principles of ratification are:—

(1) The principle must be in existence when the contract is made. (*Kelner v. Baxter*, L.R. 2 C.P. 174; *Re Northumberland Hotel*, 33 Ch.D. 186; *Natal Company v. Pauline Syndicate*, 1904, A.C. 120; *Howard v. Patent Ivory Company*, L.R. 38 C.D. 156.)

(2) The agent must disclose that he purported to act on behalf of a principal (*Keighley Maxted v. Durant*, 1901, A.C. 240), who may be ascertained by interest —*e.g.*, for an administrator not then appointed. (*Foster v. Bates*, 12 M. & W. 226; *Re Watson*, L.R. 19 Q.B.D. 234.)

(3) Ratification must be of the whole contract. (*Fergusson v. Carrington*, 9 B. & C. 59.)

(4) It dates back to date of the contract, but before ratification the unauthorised contract may be mutually rescinded by the other parties. (*Walter v. James*, L.R. 6 Ex. 124; *Bolton v. Lambert*. L.R. 41 C.D. 295.)

(5) The principal must be fully acquainted with the facts, or be shown to have adopted them, whatever they were. (*March v. Joseph*, 1897, 1 Ch. 213.)

(6) The contract must be one the principal may lawfully perform.

Mutual Duties.

Agent to Principal.—

An agent will be guided by the terms of the engagement, and if he performs his part faithfully, honestly, and to the best of his ability, he will have done all required of him. If, however, he is appointed upon the understanding that he is possessed of special skill and accepts the position, he must show such special skill or he will be liable in damages to his principal—*e.g.*, solicitor, insurance broker.

He stands in a fiduciary position towards his principal, and the latter is entitled to all benefits that arise, therefore—

(1) Agent cannot use his position for his own benefit, such as by converting himself into a principal. (*Rubinson v. Mullatt*, L.R. 7 H.L. 802.)

Agent appointed to sell or purchase for his principal cannot buy or sell his own goods to his principal without the knowledge and consent of the latter (*Waddell v. Bloxley*, L.R. 4 Q.B.D. 678), otherwise he is entitled to repudiate the sale or purchase.

(2) Agent must not make any secret profits—the question of bias does not arise. (*Morris v. Thompson*, L.R. 9 Q.B. 480; *Kimber v. Barker*, L.R. 8 Ch. 56; *Harrington v. Victoria Company*, 3 Q.B.D. 549.)

Such profits may be recovered by the principal as money had and received to his use. (*Whaley Bridge Company v. Green*, 5 Q.B.D. 109.)

(3) The principal may recover from the agent any secret commission, and is, further, a ground for dismissal. (*Boston Deep Sea v. Audsell*, 39 Ch.D. 339.)

(4) An agent cannot take commission from both parties unless the principal approves of it, or a distinct usage exists and constructive knowledge on the part of the principal can be shown. (*Bartram v. Lloyd*, 88 L.T. 286.)

In order to approve, the principal must have the exact nature of the interest fully disclosed. (*Dunne v. English*, 18 Eq. 524.)

(5) An agent cannot delegate his authority to another person, but the rule is relaxed

(*a*) Where custom sanctions it.

(*b*) Where delegation is necessary for proper performance.

(*c*) Where there is an agreement, express or implied, to that effect. (See *De Bussche v. Act*, 8 Ch.D. 286.)

(6) An agent must not make use of any materials or information which he has received in the employment of his principal to the disadvantage of the latter. (*Lamb v. Evans*, 1893, 1 Ch. 219; *Robb v. Green*, 1895, 2 Q.B. 315; *Louis v. Smellie*, 1896, 73 L.T. 226.)

(7) If a contract has been made by an agent who has been bribed, the principal may repudiate the same. (*Shipway v. Broadwood*, 1899, 1 Q.B. 369.)

The principal also may recover such bribe from the agent, and damages from the third parties, for any loss arising out of the contract. (*Mayor of Salford*

v. Lever, 1891, 1 Q.B. 168; *Grant v. Gold Company, Lim.*, 1900, 1 Q.B. 233.)

Generally an agent must keep proper accounts, and render same on demand (*White v. Lincoln*, 8 Ves. 363), and should keep his principal fully informed. An agent may undertake to indemnify his principal against loss owing to the default of third parties, when he is termed a *del credere* agent. The undertaking need not be in writing. (*Sutton v. Gray*, 1894, 1 Q.B. 285; *Couturier v. Hastie*, 8 Ex. 40.)

Statutes of Limitation do not run against the principal so long as the agent continues in such capacity. (*Williams v. Peel*, L.R. 12, Eq. 149.)

An agent has a lien which varies according to particular customs and usages.

Principal to Agent.—

(1) The principal must pay the agreed remuneration or commission, and such expenses as have been properly incurred.

The agent is, as a rule, entitled to his remuneration as soon as he has done the work desired, whether the same is subsequently accepted by the principal or not. If the agent has been the effective cause in bringing the parties together, and done all that is necessary to bring about the formation of the contract, the principal cannot refuse to pay merely because the contract was not entered into. (*Prickett v. Bodger*, 1 C.B., N.S. 296; *Green v. Lucas*, 33 L.T. N.S., 584; *Simpson v. Lamb*, 17 C B. 603; *Fisher v. Drewitt*, 39 L.T. 253.)

If the work of the agent may result in subsequent transactions, he should see that the terms are clearly set forth in his engagement. (*Tribe v. Taylor*, L.R. 1 C.P. 505.)

(2) The principal must indemnify the agent for losses and liabilities incurred in the course of his agency, in respect of lawful acts done in pursuance of his authority. (*Toplis v. Crane*, 5 Bing. N.C. 636; *Betts v. Gettins*, 2 A. & E. 57.)

There is no indemnity in case of wrongful acts, as the agent would be a joint wrong-doer. (*Merryweather v. Nixon*, 8 T.R. 186.)

Where the agent is authorised to act in a matter where, by particular custom or usage, liabilities may be incurred by him he is entitled to be indemnified subject to the following conditions:

(*a*) The loss must not have been caused by default of the agent himself. (*Ellis v. Pond*, 1898, 1 Q.B. 426; *Duncan v. Hill*, L.R. 8 Ex 242.)

(*b*) The custom must be well known. (*Grissell v. Bristowe*, L.R. 3 C.P. 112; *Perry v. Barnett*, 14 Q.B.D. 467; *Seymour v. Bridgett*, 14 Q.B.D. 460.)

(*c*) The custom must be reasonable and legal, or express knowledge of the custom known. (*Neilson v. James*, 9 Q.B.D. 546.)

Principal and Agent to Third Parties.—

As a general rule, an agent is not liable on the contract, only the principal, but to this there are certain exceptions.

(1) *Where the Principal is disclosed.*

Here the principal is the proper person to sue or to be sued, but the agent may make himself personally liable, and the third party may give credit exclusively to the agent where there will be no remedy over against the principal. (*Paterson v. Gandasequi*, 2 Sen. L.C. 368.)

The cases in which the agent is personally liable are:

(*a*) Where he agrees to be so. (*Calder v. Dobell*, L.R. C.P. 486; *Mager v. Athinson*, 2 M. & W. 440.)

(*b*) Where the contract is under seal and made by the agent in his own name. This is a rule of law. (*Southampton v. Brown*, 6 B. & C. 718; *Re International Cons. Company*, L.R. 6, Ch. 525.)

(*c*) Where the agent is a party to a bill or note, unless he signs for or on behalf of his principal. (Bill of Exchange Act, 1882, Sect. 26.)

(*d*) Where the principal is resident abroad, and purchases goods in England through an agent, the seller, apart from express evidence to the contrary, contracts with the agent. (*Smyth v. Anderson*, 7 C.B. 21; *Hulton v. Bullock*, L.R. 9, Q.B. 572; *Thompson v. Davenport*, 9 B. & C. 87.) (See also *Elbinger v. Claye*, L.R. 8, Q.B. 313; *Kaltenback v. Lewis*, L.R. 10, A.C. 617.)

This case may be excluded where privity can be established between the principals themselves. (*Mahony v. Kakula*, 14 C.B. 390; *Flinn v. Hoyle*, 63 L.J. Q.B. 1.)

(*e*) Where custom of the trade makes him liable. (*Humfrey v. Dale*, E.B.E. 1004; *Imperial Bank v. Katherine Docks*, 46 L.J. C. 335; *Pike v. Ongley*, 18 Q.B.D. 708.)

(2) *Where the Principal is undisclosed.*

The general rule is that the principal or agent may sue upon the contract (*Sims v. Bond*, 5 B. & Ad. 392), and the third party may sue the agent, or, upon discovery, the principal. (*Thompson v. Davenport*, 9 B. & C. 78.)

But several points must be noticed.

(*a*) If the agent describes himself as principal in the contract, he alone can sue. (*Humble v. Hunter*, 12 Q.B. 310.)

(*b*) Parol evidence cannot be given on behalf of a person who has signed as principal to prove he was in fact an agent, but it is admissible to prove that a party apparently not liable is really liable. (*Wilson v. Hart*, 7 Taunt. 296; *Truman v. Loder*, 11 A. & E. 589; *Higgins v. Senior*, 8 M. & W. 834.)

(c) The remedy as against the undisclosed principal may be lost where his existence was not disclosed at time of the contract.

(i.) By the principal in the meantime having honestly settled with the agent; or

(ii.) By the third party dealing with the agent so as to prejudice the principal in his relations with the agent, leading the former to believe the agent alone was to be held liable. (*Irvine v. Watson*, 5 Q.B.D. 414; *Armstrong v. Stokes*, L.R. 7 Q.B. 603; *Davidson v. Donaldson*, 9 Q.B.D. 623; *Reay v. Fenwick*, L.R. 1 C.P.D. 745.)

Note as to Set-off.—If the principal sue upon the contract he must do so subject to any right of set-off the third party had against the agent before he knew the latter was acting for a principal. Set-off will not be allowed if the third party was aware that the agent was sued, although he was not aware of the identity of the principal. (*George v. Claggett*, 2 Sen. L.C. 185; *Montagu v. Forward*, 1893, 2 Q.B. 350; *Cooke v. Eshelby*, 12 Ap.C. 271.)

There is no set-off as against the principal, if the agent sues, because, as the principal was undisclosed, credit could not have been given to him.

(4) The liability of the principal and agent is alternative, not joint; the third party cannot proceed against one and subsequently against the other. (*Scarf v. Jardine*, 1882, 7 Ap.C. 345; *Rendall v. Hamilton*, 4 Ap.C. 704; *Cross v. Matthews*, 1904, 91 L.T. 500; *Morse v. Westmoreland*, 1904 Ap.C. 11; *Priestley v. Fearnie*, 3 H. & C. 977.)

Authority of an Agent.

The real authority of an agent depends upon the terms of his engagement. If it be in writing parol evidence is inadmissible to vary it. (*Hogg v. Smith*, 1 Taunt. 347.)

But as between third parties and principal and agent the authority is said to be the ostensible authority, meaning that which a person ordinarily has when placed in a similar position—that is, the full apparent authority due to his position and employment. There can be no secret limitation of an agent's ostensible authority. (*Smethurst v. Taylor*, 12 M. & W. 546; *Watteau v. Fenwick*, 1893, 1 Q.B. 346.)

In cases of special agents, if the third party knows his authority to be special, such third party is bound to ascertain the real extent of the agent's authority (*Sandeman v. Scurr*, L.R. 2 Q.B. 86), and the principal will not be bound by any acts in excess of the agent's authority—*c.f.* (*Howard v. Sheward*, L.R. 2 C.P. 48; *Brady v. Todd*, 9 C.B. N.S. 592; *Payne v. Leaconfield*, 51 L.J. Q.B. 642).

In *Howard v. Baillie* (2 H.Bl. 618) the principle was adopted that "authorities are to be construed so as to "include all the necessary means of executing them with "effect." But that principle cannot confer upon the agent a different kind of authority to that contained in the original authority—*e.g.*, an estate agent authorised to procure a purchaser has no authority to enter into contract of sale. (*Chadburn v. More*, 61 L.J. Ch. 674.)

The authority will vary according as the agent is a special or general one, and notice must be taken of any custom or usage of the trade or market. (*Dickinson v. Lilwall*, 4 Camp. 279.)

The principal general agents are factors, auctioneers, bankers, brokers, insurance brokers, solicitors, and commission agents.

Misrepresentation of Agent. — If an agent does any unauthorised acts by representing himself as having an authority which he does not possess or which exceeds that which he has, he is liable for breach of an implied warranty of authority (*Cullen v. Wright*, 8 E. & B. 647; *Starkey v. Bank of England*, 1903, Ap.C. 114), provided the want of authority was not known. (*Safyron Weldon, Son v. Rayner*, L.R. 14 C.B. 406.)

The same will result, though the agent *bonâ fide* believed himself to have such authority (*Sheffield Corporation v. Barclay*, 1903, 2 K.B. 580; 1905, H.L.; *Oliver v. Bank of England*, 1902, 1 Ch.D. 610); but an agent acting in good faith will not be liable if his original authority has been revoked by death of his principal (*Senouth v. Tebérry*, 10 M. & W. 1) or dissolution of a company principal (*Salton v. New Beeston Co.*, 1900, 1 Ch. 43).

The damages will be such as naturally flow from the Act (*Simons v. Patchett*, 7 E. & B. 568), including costs of an action brought against the supposed principal. (*Hughes v. Graeme*, 33 L.J. Q.B. 335.)

Fraud of Agent.

The principal is liable for the fraud of his agent in the course of and on behalf of the principal's business. (*Barwick v. English Joint Stock Bank*, L.R. 2 Ex. 259.)

The principal will not be liable for any fraud committed outside the scope of the agent's authority, nor for his own benefit. (*British Mutual Banking Company v. Charnwood Railway*, 18 Q.B.D. 714; *Thorne v. Head*, 1895, Ap.C. 495.)

The principal's liability will not relieve the agent—he is liable all the same. (*Peto v. Blades*, 5 Taunt. 657; see also *Mackay v. Commercial Bank*, L.R. 5 P.C. 394; *Houldsworth v. Glasgow Bank*, 5 Ap. 317; *Rubens v. Great Fingall Cons.*, 1904, 2 K.B. 712.)

Termination of Agency.—This may occur by operation of law or act of the parties—

(1) By agreement.

(2) By effluxion of time.

(3) By complete performance of the particular transaction.

(4) By destruction of the subject-matter.

(5) By death of the principal or agent (*Senouth v. Teberry*, 10 M. & W. 1.)

(6) By bankruptcy of the principal—but not necessarily by that of the agent.

(7) By revocation on the part of the principal or renunciation on part of the agent.

After revocation the principal will, nevertheless, be liable, unless notice of the same has been given to third parties who may act on faith of the previous authority. (*Senouth v. Teberry*, 10 M. & W. 1)

(8) By insanity of the agent or principal; but in the latter event, if third parties have dealt with the agent in good faith and without notice of the determination, the principal will still be bound. (*Drew v. Nunn*, 4 Q.B.D. 661.)

Meetings for the ensuing Week.

Monday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Executive Committee, at 2.30 p.m.; Parliamentary and Law Committee, at 3.30 p.m.

Tuesday—INSTITUTE OF CHARTERED ACCOUNTANTS.—Students' Societies Grants Committee, at 3 p.m.

Union of Chartered Accountant Student Societies.

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended December 31st 1906. *Cr.*

	£ s d		£ s d
To Travelling of Representatives and Expenses of Grants Sub-Committee	21 12 3	By Levy on the Associated Societies at 6d. per Member:—	
" Stationery, Printing, and Sundries	2 0 3	Birmingham	6 15 0
" Postages	2 5 6	Bristol	1 14 0
" Expenses of Chairman of Committee	0 10 6	Hull	1 12 6
" Expenses of Lecture Organising Secretary	1 11 9	Liverpool	4 12 6
" Honorarium to Secretary	10 10 0	Leicester	1 4 0
" Prizes for Autumn 1906 Essay Competition	8 8 0	London	21 15 0
	46 18 3	Manchester	8 15 6
" Balance	6 11 3	Nottingham	1 18 0
		Northern	2 6 6
		Sheffield	2 16 6
	£53 9 6		£53 9 6

BALANCE SHEET, December 31st 1906.

Liabilities.		£ s d	*Assets.*	£ s d
Amount Payable to Prize-winners for Autumn 1906 Essay Competition		8 8 0	Cash at Bankers	23 16 0
Representatives for Travelling Expenses		4 1 9	Levies—Sum due in respect thereof	26 7 3
Grants Sub-Committee		2 0 0		
Chairman of Committee for Sundry Expenses		0 10 6		
Secretary for Postages, Stationery, and Sundries		7 4 2		
Do. for Honorarium		10 10 0		
		32 14 5		
Income and Expenditure Account:—				
Surplus from last Account	£10 17 7			
Do. for 1906	6 11 3			
		17 8 10		
		£50 3 3		£50 3 3

(Signed) ARTHUR F. DODD,
Chairman of Joint Committee.
8th April 1907.

(Signed) G. H. REDFERN,
Honorary Secretary.

I have examined the foregoing Balance Sheet and Income and Expenditure Account with the Books and Vouchers of the Joint Committee, and certify the same to be, in my opinion, correct.

COLLEGE HILL CHAMBERS, LONDON, E.C.

(Signed) H. E. BARHAM, F.C.A.,
Hon. Auditor.

The Sydney Institute of Public Accountants.

Annual Report and Accounts.

THE Council has pleasure in presenting the thirteenth annual report.

The accounts for the year, which have been duly audited, show that after writing £42 14s. 3d. off the Furniture and Library, there remained a debit balance on the accounts for the year of £34 11s. 7d. This amount has been transferred in reduction of the Accumulation Account, which now shows a credit balance of £396 9s. 4d.

The examinations, under the Central Examining Committee, referred to in last report, have been continued throughout the year, and the following were the successful candidates, in order of merit, in the Legal Section, in April last:—Arthur Wellesley Oakes, Walter T. Colyer, Jeremiah Roberts, Richard J. Burns, Frederick J. Blakeney, George Twohill.

At the Intermediate Examination, held in October last, eighteen candidates passed, while as regards the first section of the Final Examination, four were successful in satisfying the examiners.

Candidates' papers for the above examination were dealt with in Sydney by the Central Examining Committees, on which the South Australian, Tasmanian, and Western Australian Institutes were personally represented. The following were the examiners:—Messrs. F. N. Yarwood (Chairman), H. Dunstan Vane, H. B. Allard, W. H. Perry, T. C. Walker (South Australia), James Reid (Tasmania), and C. A. Wylie (Western Australia).

Mr. Charles Henry Hayward has been admitted as a Fellow, having been in practice for the required time.

The following have been admitted as Associates during the year:—Frederick Joseph Blakeney, Richard James Burns, Walter Thomas Colyer, Jeremiah Roberts, George Twohill.

The Institute of Chartered Accountants in England and Wales has been in correspondence with Lord Elgin, the Under-Secretary of State, Colonial Office, during the year, objecting to the colonial use of the word "Chartered" as applied to accountants. The matter was referred to us by the Under-Secretary for Finance and Trade, and we supported the views of the English Institute on the matter.

At the request of the Public Works Department a conference was held with other Institutes to nominate a Public Accountant to sit on the Local Government Clerks' and Auditors' Examination Committee, and Mr. H. Dunstan Vane was selected. This nomination has been subsequently approved of by the Department. Members of this Institute are entitled to apply for certificates under the Act without examination.

A special meeting of members was held on 3rd August 1906 which was well attended, the object being to consider the draft articles and memorandum of association of an Australasian Institute. General discussion took place, and it was decided to call a further meeting at a later date. Delegates were appointed (the President having expressed his inability to attend), to confer with the several Institutes, and Messrs. J. E. Bowes, H. B. Allard, and H. Dunstan Vane are acting for this Institute in this connection. It is hoped that the conferences that are taking place will result, within the very near future, in finality in this matter.

The members retiring from the Council this year are:—Messrs. H. B. Allard, James Robertson, and F. N. Yarwood, all of whom are eligible for re-election.

Mr. D. H. Gilfillan, Honorary Auditor, retires under Article 70, and is also eligible for re-election.

F. N. YARWOOD,
President.

REVENUE ACCOUNT for Year ended 31st March 1907.

	£ s d	£ s d
To General Expenses—		
Printing and Stationery	8 17 10	
Advertising	13 15 0	
Postages and Petties	14 17 10	
Rent, Insurance, and Office Cleaning ..	58 9 10	
		96 0 6
" Examination Expenses—		
Printing, Advertising, and Examiners' Fees and Expenses		116 10 4
" Depreciation—		
Written off Furniture	12 18 8	
Do. Library	29 15 7	
		42 14 3
		£255 5 1

	£ s d	£ s d	£ s d
By Entrance Fees—			
1 Fellow at	5 5 0	5 5 0	
6 Associates at..	2 2 0	12 12 0	
			17 17 0
" Subscriptions—			
25 Fellows at	3 3 0	78 15 0	
36 Associates at..	1 1 0	37 16 0	
1 Associate at	0 10 6	0 10 6	
			117 1 6
" Examination Fees—			
3 Candidates at	3 3 0	9 9 0	
5 " "	2 2 0	10 10 0	
15 " "	1 11 6	23 12 6	
20 " "	1 1 0	21 0 0	
2 " "	0 10 6	1 1 0	
			65 12 6
" Interest on Savings Bank Deposit		.. ..	7 0 0
" Hire of Institute Room..		.. ..	13 2 6
" Balance—			
Transferred from Accumulation Account		.. ..	34 11 7
			£255 5 1

BALANCE SHEET at 31st March 1907.

Liabilities.	£ s d	£ s d
Sundry Creditors	.. ..	5 7 0
Depreciation Reserve	.. ..	220 14 6
Accumulation Account—		
Balance at 31st March 1906	431 0 11	
Less Transferred to Revenue Account ..	34 11 7	
		396 9 4
		£622 10 10

Assets.	£ s d	£ s d
Cash at Savings Bank of New South Wales ..	175 0 0	
Cash at Bank of New South Wales	14 19 2	
Cash on hand	4 7 9	
		194 6 11
Sundry Debtors	.. ..	1 1 0
Furniture at Cost	129 7 2	
Library at Cost	297 15 9	
		427 2 11
		£622 10 10

F. N. YARWOOD, *President.*
E. A. HARRIS, *Hon. Sec.*

Audited and found correct.
D. H. GILFILLAN.

SYDNEY, *9th April* 1907.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, June 14th, was 152, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 77; Deeds of Arrangement registered, 75. The respective numbers in the corresponding week of last year were: Bankruptcies, 74; Deeds of Arrangement, 65—total, 139; being an increase of 13. The total number of commercial failures recorded during the 24 weeks of the present year is 3,693; the total number recorded in the corresponding 24 weeks of last year was 3,992, showing a decrease of 299.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, June 14th, was 151. The number in the corresponding week of last year was 136, showing an increase of 15. The total number filed during the 24 weeks of the present year is 3,591; the total number filed in the corresponding 24 weeks of last year was 3,602, showing a decrease of 11.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, June 14th, amounted to £1,437,310, by way of addition to £1,167,500, previously issued by the same companies. The amount registered in the corresponding week of last year was £980,472, showing an increase of £456,838. The total amount registered during the 24 weeks of the present year is £48,059,666 (in addition to the issues in previous years by the same companies), as compared with £39,575,689 for the corresponding 24 weeks in 1906, showing an increase of £8,483,977.

The Profession in Scotland.

The Glasgow Chartered Accountants Students' Society.

FEE AND LIFERENT.

By JOHN A. TODD, B.L., Solicitor, Glasgow.

A PAPER read at the meeting of the above Society, on 21st February 1907, Mr. Joseph Patrick, C.A., in the chair.

The admitted difficulty of this subject is largely due to the number of technical terms which are constantly used in connection with it, and I think I cannot do better than begin to-night by explaining some of these. We may begin with our title itself.

The fee of a heritable estate meant originally the full right of unlimited property, including the right of use, but the growing practice of creating liferents as separate interests led to the gradual restriction of the meaning of the word "fee" to the limited right of property alone, as opposed to the liferenter's right to the use or annual produce of the subject. Liferent is therefore merely the right to enjoy a subject and its fruits without wasting or consuming its substance, the idea being expressed in the Latin phrase *salva rei substantia*.

It is mainly in connection with heritable subjects that technical terms abound, and, indeed, the words "heritable" and "movable" themselves require explanation. Heritable property means land, and rights pertaining thereto, and articles which either are by nature immovable, or have become so by being fixed into the ground or to some other heritable subject. For example, growing timber is heritable. A house or factory is essentially heritable, and fixed machinery or fittings attached to the fabric of a factory or house may become

heritable by being so attached, although originally movable by nature. Movables are whatever may be moved from place to place without injury or change of nature. But these terms, "heritable" and "movable," are somewhat elastic in their application, and their exact meaning varies according to the particular circumstances in which the question arises. What is heritable as between bondholder and proprietor[1] may be regarded as movable in a question between heir and executor, but the definitions given are in general terms correct.

Again, there was a distinction made between "heritage" and "conquest." The former was the heritable estate which one inherited, the family estates, while conquest was heritable property acquired by the owner himself during his lifetime. The distinction still affects the legal liferent called "courtesy," and it formerly applied also in certain cases of succession, but, so far as the latter point is concerned, it was abolished by the Conveyancing (Scotland) Act, 1874, Section 37.

The system under which the greater part of the land in Scotland is held is what is known as the feudal or feuing system. Under this system the full right of property, or *dominium plenum*, as vested in the original landowner, is split up into two mutually limiting rights. The right of the landowner or superior is called the *dominium directum*, or right of superiority, as opposed to the right of the feuar or vassal, which is called the *dominium utile*, and is, practically speaking, the real right of ownership. Subject to the due payment of the annual feu duty and the observance of the conditions of the Feu Charter, Feu Disposition, or Feu Contract, as it may variously be called, the property in the ground feued is vested entirely in the feuar, who is recognised by law as the proprietor of the ground.

In addition to payment of the annual feu duty, there are under many feu contracts certain incidental or irregular payments, called casualties, which have to be made at particular periods, such as the death of the proprietor or the sale of the property, or there may be what is called a duplication—*i.e.*, a stipulation for payment of double feu duty, say, every nineteenth, twenty-first, or twenty-fifth year. The origin of these casualties and duplications is interesting, and takes us back to the earliest times in the history of the feudal system. That system, which was introduced to this country after the Norman Conquest, was essentially military in its conception. The King parcelled out the land among his nobles on condition of their rendering him military services whenever required. The nobles in their turn parcelled out the estates among their vassals, who were their fighting men, on similar terms. There was no question of money payment, and, again, there was no permanence of tenure. It was fighting men who were wanted, and when a man died his place must be taken by someone else who could fight. If he had a son to take his place, he would probably get the land, but even this was simply *ex gratia* of the superior. If the vassal had no son, the land would probably be handed over to some other of the noble's retainers.

In course of time, as the need for military services decreased, other services of a more peaceful character took their place, and these again came gradually to be replaced by money payments. With this came also the gradual recognition of the *right* of the holder of the feu to have the land transferred to his heir, or even to an outsider, who was known as a singular successor. But the right of the superior to choose his own vassal was still recognised, in that a payment had to be made to him when any change took place. In the case of an heir, this payment was usually an extra year's feu duty, and this was known as the casualty of relief. If the feu was transferred to a singular successor the casualty due was called a composition, and the amount of it was one year's rent of the subjects. During the nineteenth century the practice arose of substituting payments at fixed periods for these irregular casualties. Thus in feu contracts it became customary to provide for the payment of a duplication of the feu duty every nineteenth year or more, in lieu of the old casualties. By the Conveyancing Act of 1874, Section 23, the insertion in future feus of anything but fixed payments, definite in time and amount, was prohibited, and provision was made for the redemption of existing casualties.

This, then, brings us down to the modern feu contract, but I may add a few words of explanation with regard to the analogous system of ground annuals. The origin of these is also historical. In addition to the lands originally granted by the Sovereign to his nobles, certain grants of land were made to the Royal Burghs. These lands were held by the magistrates of the burgh under what was called burgage tenure, the services being known as watching and warding, and the burgal lands were parcelled out by the magistrates among the burghers, under the obligation of rendering these services when required. In course of time these services, as the need for them disappeared, gradually fell into disuse, and the ground began to change hands for money payments; but as the feudal system of conveyancing was not applicable to the form of title under which these lands were held, the contract of ground annual was adopted instead, which in a different form arrives at much the same result as a feu contract—*i.e.*, the payment of a fixed annual sum secured upon the ground. Again, the contract of ground annual was frequently used for another purpose. In old feu contracts subfeuing was generally prohibited, and by a conveyancing manœuvre a

[1] *McLay v. Howie's Trustees*, 5 December 1902, 5 F. 214.

result almost the same was arrived at by means of a contract of ground annual. But the Conveyancing Act of 1874 (Section 25) finally abolished the distinction between burgage tenure and feu, and at the same time, by Section 22, the prohibition of sub-feuing in future deeds was rendered null and void. Thus the distinction between a feu duty and a ground annual ceased to be of any practical importance from a layman's point of view.

The next point for explanation is the system of registration of titles to land. Here, again, the historical development of the system will be found to be very interesting. The original idea of Scots conveyancing was founded on the Roman law maxim that there can be no transfer of property without delivery. In the case of land and heritable property the delivery had, of course, to be symbolical, but until a comparatively recent date the form of delivery by symbols of earth and stone, &c., was carefully gone through. The seller executed a disposition in favour of the purchaser, in which he authorised a certain person to give symbolical delivery to the purchaser in the usual form. The parties then proceeded to the ground, accompanied by a notary public, who, after the form of delivery had been gone through, executed a document called an instrument of "seisin." This was an official narrative that on the date mentioned he was present, and saw the seller's disposition produced and the warrant for delivery therein contained duly executed, the purchaser being thus duly "seised" or "infeft" in the property. This notarial instrument was then recorded in the Register of Seisins, which duly completed the purchaser's infeftment, and gave him a valid title.

By a long course of legislation all this process was simplified, until now the mere recording of the disposition in the Register of "Sasines" (note the corruption of the name) of itself completes the purchaser's title. The Register of Sasines, then, is the final proof on any question of title. Of two competing titles the one first registered overrules the other, and in modern practice the registration of a disposition or other title to land follows immediately upon its completion as a matter of course.

The definition of a lease as a terminable right of property or use in land may be mentioned in passing. In many leases, and sometimes in contracts of ground annual, and even in feu contracts, provision is made in addition to the annual payment for the payment of a lump sum in cash called a "grassum," which is really an additional consideration for the granting of the lease.

A point in connection with leases which gives a great deal of trouble is the question of forehand and backhand rents. According to the usual rule the rent of agricultural subjects is legally due at two terms in the year, Whitsunday and Martinmas, by equal portions. The year's rent is supposed to correspond with, and to be payment for, the year's crop, the agricultural year beginning and ending at Martinmas. The rent for the first or sowing half of the year is payable at Whitsunday, the rent of the second or reaping half at Martinmas, after the separation of the crop from the ground. Thus the half-year's rent legally due at Whitsunday 1906 is called "first half, crop 1906," and the second or reaping half, payable at Martinmas, is known as the "second half, crop 1906." Whitsunday and Martinmas are therefore the *legal* terms of payment, but it is common in certain cases by special agreement either to anticipate or to postpone the dates of payment. For example, the owner, to make certain of payment of the rent, may stipulate for payment in advance, the first half crop 1906 being payable at Martinmas, 1905, and the second half crop, 1906, at Whitsunday, 1906, each being six months ahead of the time when it is legally due. This is called conventional anticipation or forehand rents. In practice the same result is reached where the farm is partly under crop and partly in grass. The usual term of entry in such cases is to the houses and grass lands at Whitsunday and to the lands under crop at Martinmas following, and in this case, as the tenant has to pay a full half-year's rent at Martinmas, he is really paying forehand for the lands under crop. Again, in some cases it is the custom for the outgoing tenant to leave the farm at Whitsunday, leaving his crops in the ground. The incoming tenant pays his first half-year's rent at Martinmas, but he has to pay the outgoing tenant the value of the crops when they are reaped, so that the incoming tenant is actually paying six months forehand, because he is paying rent for crops which he really does not get the benefit of, in respect that he has to pay for them to the outgoing tenant.

On the other hand, there may be an agreement to postpone payment of the rent for six months, or more, beyond the respective legal terms, and this is called conventional postponement, or backhand rents. For example, in the days before the abolition of the landlord's hypothec in farms, it was customary for the tenant to enter at Martinmas, but to pay no rent till Candlemas, fifteen months later, when the first half-year's rent became payable, thus allowing him time to sow, reap, and sell his first year's crop before having to pay any rent. The rent in such a case was nine months backhand.

In the case of these forehand and backhand rents the actual dates of payment are known as the conventional terms, and we shall find that these terms have an important effect in certain questions of apportionment of the rents.

The only other point that may require mention is the question of succession, which involves some technical terms. The law of Scotland is that if a man dies intestate his heritable property goes to his eldest son, subject to the

widow's right of terce, to be afterwards explained. The movable property is divisible into three equal parts—(1) *jus relictæ*, the right of the widow in the movable estate in addition to her terce; (2) *legitim*, which is the legal right of the children, and is divided equally among them, excluding the heir; (3) the dead's part, which the deceased might have disposed of by will if he had chosen, but which, as he has not done so, goes to his next-of-kin. They in this case are his children, the heir again being excluded. Note, however, that, if the heir chooses, he may "collate"—*i.e.*, he may throw in the heritable estate along with the movables, and claim his share of the whole, along with the rest of the children.

The management of the movable estate is vested in the executor, who, if none is appointed by the deceased, will be appointed by the Court.

Carrying all these definitions with us, we proceed to deal with our subject proper, and it will probably be most convenient to begin with a classification of the various kinds of liferent. There are three different classifications from different points of view. (1) Legal and Conventional, (2) Direct and Indirect, and (3) Liferents by Constitution and Liferents by Reservation.

The legal liferents are those which are vested in certain persons by right of law, and are two in number, terce and courtesy. "Terce" is the right of the widow during her lifetime to one-third (hence the name) of the income of her husband's heritable property. "Courtesy" is the corresponding right of the husband of an heiress, who, if he were the father of a successor to the estate, was entitled during his lifetime to the whole annual income of his wife's patrimonial estate—*i.e.*, of her heritage in the restricted sense of the term, as opposed to conquest; the idea being that such a provision was necessary to enable him to maintain the dignity of the family, and to provide properly for the upbringing of the heir.

Conventional liferents are those created by agreement or by deed.

Direct liferents, which deal mainly with heritable estate, are constituted by a deed which conveys the estate directly to the liferenter, the conveyance being a deed upon which he can take infeftment, and thus complete a heritable, though limited, title to the land. Such liferents may be created in either of two different ways, and the distinction has important effects on the rights of the liferenter. A "liferent by constitution" is one given by the present proprietor of the land to another party, say his wife, the fee of the estate being reserved to himself, or perhaps conveyed to his children, or to a third party. On the other hand, the proprietor of the estate may convey the fee to someone else, say his eldest son, but reserve the liferent to himself. He is then called a "liferenter by reservation," and has certain special privileges and rights, much higher than those of the ordinary liferenter by constitution, his position being regarded by the law as more like that of a proprietor.

An indirect liferent is where the owner of a heritable estate, or of movable property, conveys it to trustees, with instructions to apply the annual proceeds, or produce of it, for the benefit of certain persons as liferenters.

Let me now give you a few illustrations of the kind of questions which our subject covers, keeping in mind that the terms "fee" and "liferent" cover much more than merely land and heritable subjects. That may have been their original application, but they are now used to indicate the relative interests of capital and income in every form of property in which these separate interests may be found. It is in the questions arising out of heritable property, however, that we shall find the greatest difficulty. For example, a heritable estate is liferented by a certain individual, the fee being destined to, say, an outlying member of the family. While the liferenter lives the proceeds of the estate will fall to be apportioned between him and the fiar, and questions will arise as to whether particular parts of the produce of the estate should go to the fiar or to the liferenter. The liferenter dies, and new questions arise between his executor and the fiar as to how certain payments accruing at the date of death are to be allocated between them.

Again, take the case of indirect liferents. A man leaves his whole estate, including both movable and heritable property, in the hands of trustees, with a destination to his widow in liferent and to his family in fee. The portions of income accrued at the date of his death will go to capital, but the income which accrues after the death will go to the widow's liferent and the process will be reversed when she dies. These illustrations are intended to show the diversity of interests that may be affected by such questions. Our next object is to arrive at some idea of the main principles which rule these questions of apportionment.

At common law a distinction was formerly made between payments connected with land, such as rents, and those not so connected, *e.g.*, payments of interest on a personal loan. The former were held to "vest" or become the property of the payee, only in lump sums at the specified terms of payment, while the latter were held to vest *de die in diem* (from day to day). In case, therefore, of the death of the liferenter a payment of interest made after the date of death would fall to be divided between his executors and the fiar of the estate, in proportion to the number of days which had elapsed between the previous term of payment and the date of death. On the other hand, the current half-year's rent of a farm belonging to the estate would be

treated as a lump sum, and would fall either to the executors of the liferenter or to his successor, according to certain well-recognised rules. The main principle of these rules was that, if the owner survived the morning of the term day, the rents which became payable on that day were held to vest in him, whether then paid or not, because in many cases the "rent day" might be a month or more after the legal term day. If, on the other hand, he died the day before the term day, his executors got no part of the rents which then became payable.

This was the general principle, but its application was much complicated by the introduction of the conventional terms of payment under the system of forehand and backhand rents already explained. The rules, however, were clearly recognised (1) that conventional postponement—*i.e.*, backhand rents—did not affect the rights of the deceased. Thus, supposing the rent legally due at Whitsunday, 1906, were conventionally postponed to Martinmas, 1906, the executor of the proprietor, who survived till, say, 1st June 1906, would be entitled to receive payment at Martinmas, 1906, of the full half-year's rent then payable, which was legally due before the date of death, but was not conventionally payable till the postponed date. On the other hand, conventional anticipation—*i.e.*, forehand rents—did affect the rights of the deceasing liferenter in this way, that if he survived the conventional term of payment the half-year's rent was held to have vested in him, whether actually paid on the due date or not, and although he did not survive the legal term of payment. Thus, taking the same case again for purposes of illustration, if the rent for the second half crop 1906, which is legally due at Martinmas, 1906, were conventionally due at Whitsunday, 1906, then the liferenter, who died on 1st June, would get payment at Whitsunday of the half-year's rent which was not legally due till Martinmas, and of which he would have received no share at all if it had not been forehanded. Even if it were not actually paid before his death his executors would get it when it did come in.

This common law rule was first altered by an Act of 1834, which was superseded by the Apportionment Act of 1870. The main provision of this Act was that all rents, annuities, dividends, and other periodical payments of the nature of income are, like interest on money lent, to be considered as accruing from day to day, and to be apportionable in respect of time accordingly. Thus, on the death of the liferenter his executors, instead of getting none of the half-year's rents payable at the next term after his death, would get the proportion from the previous term up to the date of death.

But the wording of the Act has produced a peculiar effect. The Act operates only in favour of executors. It gives them a right to claim payment of a portion of the rents accruing at the date of death; but it imposes upon them no corresponding liability to repay to the successor of the deceased the proportion of any forehand rents for the current term which he may have received in advance, and which is really in excess of what he was entitled to. More than this, his executors are now entitled under the Act not only to keep all they have got, but also to claim a proportion up to the date of death of the rents conventionally accruing at the date of his death, to which formerly he had no claim at all. (*Herries v. Maxwell's Curator*, 6th February 1873, 11 Macpherson, 396.) Thus, reverting to our illustration, in the case of forehand rents for second half crop 1906, legally payable at Martinmas, 1906, but conventionally paid at Whitsunday, 1906, the deceased had already received the whole of these rents in advance, before his death on 1st June, and his executors are entitled to retain them, although part of them ought in fairness to go to his successor. But, further, they will be entitled, at the term of Martinmas, 1906, to a proportion up to the date of death of the first half crop 1907, in which under the old law he had no possible interest.

Similarly, in the case of backhand rents,[2] the executors of the deceased proprietor are entitled at common law to recover at Martinmas, 1906, the full half-year's rent which is legally due at Whitsunday, before his death on 1st June, although conventionally it is not payable till Martinmas, 1906, after his death, and in addition under the Act they will get at Whitsunday, 1907, the proportion, from Whitsunday to 1st June, of the rent of the second half crop 1906, which was legally accruing at the date of his death.

These results are, of course, anomalous, and seem rather unfair to the incoming liferenter or proprietor, but, if it is to his detriment when he comes in, it may be equally to his advantage when he goes out.

Before leaving the matter of heritable subjects we may note several questions with regard to the right of possession of such property when not let, and the apportionment of the direct produce or fruits of the soil. For example, the use of the mansion house goes to the liferenter with all its appurtenances, and furniture, if any. The latter he must leave intact at the end of his liferent, ordinary tear and wear, of course, excepted. The same applies to the stock of a farm in the hands of a proprietor, and also the crop. If he gets the farm with a certain quantity of implements, live stock, manures, and feeding stuffs, he must leave it in a state reasonably equivalent in these respects to that in which he got it. The same applies to cropping—he must leave the farm in as good order as he got it, according to the usual rules of good husbandry.

[2] *Campbell v. Kirkland, &c.*, 18th July 1849, 11 D. 1426, and *Blaikie v. Farquharson*, 18th July 1849, 11 D. 1457, cases under the Act of 1834, but still authoritative.

With regard to growing timber on the estate, there are special rules. Growing trees are regarded as *partes soli* and heritable, and the liferenter is not entitled to cut them down or sell them. He is only entitled to cut down what is called coppice wood, which is cut down periodically and allowed to grow again from the roots. If such a plantation reaches maturity during his liferent he is entitled to cut it down for sale and retain the proceeds. Ordinary windfalls—*i.e.*, trees blown down by storm—also belong to the liferenter (but not quantities of trees blown down by an extraordinary storm, *McAlister's Trustees*, 27th June 1851, 13 D. 12, 39), and he is entitled at any time to cut down growing timber for estate purposes—*e.g.*, for fencing, repairs to buildings, &c. Beyond this, however, the heavy timber on the estate belongs to the fiar, who is entitled to cut it down as it comes to maturity, so long only as he does not interfere with the amenity of the mansion house.

Much more difficult questions arise with regard to minerals. An ordinary liferenter is entitled to use any minerals found on the estate, for estate purposes only—*e.g.*, coals for the use of the mansion house, lime (and presumably stone and clay) for building purposes or repairs. But a liferenter by constitution is not as a rule entitled to the royalties from a coal mine on the estate, though a liferenter by reservation has been held entitled to the proceeds of any mines already opened on the estate before the commencement of the liferent, but not to open new pits. The right of the liferenter with regard to minerals, however, depends very largely on the exact wording of the deed which constitutes the liferent, and so much is this the case that general rules must be applied with great care. One point of importance is whether the minerals are specially mentioned in the grant of the liferent, and, of course, the condition of the minerals at the opening of the liferent, whether already let or worked or not, is also an important factor in the decision.

Where ground has been feued off the estate, the liferenter, whether by constitution or reservation, is entitled to the feu duties, but the old law was that duplications and casualties of composition and relief, if any such were still payable, went to the fiar. An exception, however, was made in the case of a liferenter by reservation, and it has now been held[8] in the case of large estates which held so many feus that there were duplications and casualties coming in every year that these belonged to the liferenter. Generally speaking the Courts are now on this point, as on the question of minerals, paying more attention to the exact wording of the deed which constitutes the liferent and the circumstances of the estate, and modifying the general principle accordingly.

[8] *Montgomery Fleming's Trustees*, 28th February 1901, 3 F. 591; *Ross's Trustees*, 22nd November 1902, 5 F. 146; and *Dunlop's Trustees*, 23rd October 1903, 6 F. 12.

The fiar is entitled to the custody of the title deeds, unless the liferent is by reservation.

An ordinary liferenter cannot grant a lease which will be valid beyond the term of his own life, unless with consent of the fiar, or under special powers conferred by the deed which constituted the liferent. Even a liferenter by reservation cannot, without special powers, grant a feu to be valid beyond the expiry of his liferent. A *grassum* due under an existing lease will not go to the liferenter, unless the liferent is by reservation.

A word may be said with regard to the respective liabilities of the fiar and liferenter in connection with the estate. The liferenter is liable for all taxes, feu duties, minister's stipend, &c., annually due from the lands, and for one-half of the insurance premiums,[4] but it has been held that the special burdens occasionally imposed upon heritors, such as repairing or rebuilding of the church or manse, fall on the fiar. These rules are, of course, subject to any special provision in the deed containing the grant of the liferent. The liferenter is liable for the interest of any heritable debts due by the estate.

The liferenter is bound to keep the subjects in proper repair, and for this purpose he is entitled, as already mentioned, to use the minerals or timber on the estate. If the liferenter should be neglecting the estate, the fiar is entitled to have him ordained to find caution for the proper administration of the estate, and its preservation for the fiar, but even if damage has actually occurred, the present fiar cannot claim compensation, because he may not be the fiar when the liferent expires—he may die himself before the liferenter. Any improvements made by a liferenter are presumed to be made for his own benefit, and he has no claim against the fiar for the value of them, unless by special arrangement, or in special circumstances. Should the mansion house or any part of the property be destroyed—*e.g.*, by fire or flood—neither fiar nor liferenter is bound to replace it. Each suffers his own share of the loss, the liferenter losing the use of the part destroyed, and the fiar its capital value.

The ordinary expenses of management of the estate are payable out of income, but any special expenses incurred in defending the trust—*e.g.*, defending an action—come out of capital, and it has been held that the expenses of examining the trust investments fell under the same category. The expense of changing investments is also a capital charge. If the change is made solely in the interests of the liferenter an arrangement ought to be made with him beforehand that he is to bear the charges.

With regard to the liferent of movable subjects as opposed to heritable estates, these may form part of an estate conveyed under a direct liferent. The more usual

[4] Menzies on Trustees, Section 1036.

case, however, is where under an indirect liferent certain property or funds are conveyed to trustees, with a direction to pay the liferent to a party named. The ordinary rule in such cases is that all interests, dividends, and the like go to the liferenter, and on his death the apportionment of the current term is simply by number of days. In this department the Apportionment Act made little difference, because in almost all cases that had already been recognised as the law with regard to the income of movable property. There is, however, a point in the Act which sometimes causes difficulty. In Section 5 it is provided that all dividends, bonuses, &c., of trading or other public companies, whether such payments are usually made or declared at any fixed times or otherwise, shall "be "deemed to have accrued by equal daily increment, "during and within the period for or in respect of which "the payment of the same revenue shall be declared or "expressed to be made."

A question set in an examination paper some time ago will illustrate this point:—"A testator died on 5th August, "holding shares in the Mercian Bank. The bank makes "up its accounts yearly to 30th September, and the divi-"dends are paid on the following 25th December and "24th June, in two equal instalments, the warrants bear-"ing the statement, 'Being half-year's dividend due at "Christmas' and 'at Midsummer' respectively. How are "the dividends received at Christmas and Midsummer "after the death to be apportioned?" The point is whether the period for which the dividend is "declared or expressed to be made" is the year to 30th September, for which the accounts are made up, or the half-years to Christmas and Midsummer, for which the dividends bear to be paid. If one is to judge from the terms of the dividend warrant alone, the half-yearly rule would have to be adopted, but the more rational interpretation would seem to be that the whole circumstances should be looked to, particularly the articles of association of the company, the form and period of their accounts, and the terms of the resolution authorising payment of the dividends. The result of taking this view would probably be to treat the dividend as a yearly one, and to apportion it accordingly. There seems to be no case, however, in which a decision has been given upon this point, and the result is to leave the question open.

The same section deals incidentally with another point regarding such dividends. The word "dividend," it is said, does not include payments in the nature of a return or reimbursement of capital. It is sometimes difficult to draw the line between a bonus, which is of the nature of arrears of dividend, and another which really amounts to a repayment of capital. If it is the former, it goes to income; if the latter, to capital. But that is the only principle that can be laid down, and it is simply a question of circumstances in each case under which of these two heads the particular payment in question would fall. A great deal depends on how the company itself regards the matter. As was said by the Judge in an English case (Lord Justice Fry, quoted with approval by Lord Herschell in *Bouch v. Sproule*, 13th June 1887, 12 A.C. 385), "When a "testator or settlor directs or permits the subject of his dis-"position to remain as shares or stocks in a company, "which has the power either of distributing its profits as "dividend or of converting them into capital, and the com-"pany validly exercises this power, such exercise of its "power is binding on all persons interested, under the "testator or settlor, in the shares, and consequently what "is paid by the company as dividend goes to the tenant-for-"life, and what is paid by the company to the shareholder "as capital, or appropriated as an increase of the capital "stock in the concern, enures to the benefit of all who are "interested in the capital." But (quoting from another case, *Listowel v. Paget*, 1892, 9 *Times* L.R. 88), "It is plain "that the decision required to bind the interest of the "tenant-for-life is a final decision for the permanent "addition of the previous profits to the company's capital, "and that a mere withdrawal of a portion of the profits "from immediate division and a temporary devotion to "capital purposes will not suffice." These rules are illustrated by a Scotch case[5] where the company applied certain reserve funds accumulated out of revenue, and which had been used as working capital, to the formation of further capital, and gave the shareholders the option of taking these new shares or taking their bonus in cash. It was held that these new shares were capital and went to the fiar.

But the value of this case as a precedent has been greatly minimised by a subsequent case (*Blyth's Trustees v. Milne*, 23rd June 1905, 7 F.), in which, on slightly different facts, an entirely opposite result has been reached, so that the present state of the law on the subject can hardly be described as clear.

A similar question occurs where a company in liquidation repays to the shareholder a sum greater than the par value of the shares. Although this surplus probably represents an accumulation of unpaid dividends, it has been held that it goes to the fiar as capital.

Another point that causes complications is where shares are sold on the Stock Exchange *ex dividend* or *cum dividend*. This means that if there is a dividend shortly to be paid on the shares, the seller, if they are sold *cum dividend*, is not entitled to any portion of that dividend, which goes entirely to the purchaser. In a strict question between fiar and liferenter this must be taken into account, because presumably the price received for the shares will

[5] *Gunnis's Trustees*, 17th November 1903, 6 F. 104.

be proportionately higher, and part of it ought to go to the liferenter as income.[6] In this connection a peculiar point arose in one case[7], where shares were sold on the footing of a certain estimated dividend, and the purchase-price apportioned accordingly. Subsequently a much higher dividend was declared, and the liferenter claimed to have the surplus apportioned, but the Court held that it went entirely to the fiar, the liferenter being only entitled to benefit to the extent of the expected dividend, which presumably was all that the purchaser had in view.

Another difficult question in this part of the subject is the matter of putting the funds of the estate into what is called a "proper state of investment," the process of doing so being known as "conversion."[8] The position of trustees with regard to the investments in which they may place trust funds is strictly regulated by statute. It is not necessary to describe in detail what these investments are. They are now so well known that the very name "trust investments" has been coined to describe them, but the point is that trustees, as well as many other persons who stand in a fiduciary capacity, cannot go outside of these limits without personal liability. Even if the deceased had himself made investments which are not trust securities, that alone does not justify the trustees in continuing these investments after his death, unless there are special directions or powers given in the trust deed to do so. Indeed, even where such a direction is given, it must not be regarded as an absolute warrant to the trustees to retain these investments for all time. They must apply themselves to the question whether these investments, although not trust investments, are such as a man of ordinary business ability would still consider it safe to hold. Many things may have happened since the testator made his will to alter entirely the character or safety of the investment, and the trustees are not entitled to shelter themselves behind the direction to continue, and to plead that as an excuse for the neglect of such precautions, or the failure to take such steps as the truster himself, or any prudent man, would presumably have taken in these changed circumstances.

If, therefore, an estate at the death of the testator includes investments which are not proper trust securities, as, for example, a share in a business in which the deceased was a partner, or shares in a company, it is the duty of the trustees, unless they have special powers in the trust deed, to take immediate steps to realise these investments, and convert the estate to a proper state of investment, even although these improper investments are yielding a large income.

Again, although the investments left by the deceased are quite within the powers conferred upon the trustees, they may be unsuitable for the purposes of the trust, more especially where a liferent is involved, *e.g.*, part of the estate may be represented by what are called wasting securities, which presumably yield a good income, but of which the capital value may be subject to serious diminution. The most common case of this kind of security is that of minerals, but there may be many others, such as ship shares or the goodwill of a licensed business. To pay the whole annual proceeds of such a security to the liferenter would be manifestly unfair to the fiar. If therefore no direction on the subject can be drawn from the trust deed, it is the duty of the trustees to convert these investments by realising them and reinvesting the proceeds in some other security which, while yielding a steady income to the liferenter, will preserve the capital intact for the fiar. Of course, if there is any clear indication in the trust deed that the truster really intended the liferenter to get the benefit of the whole proceeds of such an investment, that will be given effect to, but the intention to make such a gift must be perfectly plain.

There is an exception, however, to the duty of the trustees to convert wasting investments where, although the investment is of that character, it is perfectly secure, and, on the other hand, to realise it might cause serious loss. In such a case the rule is not to convert the investment, but to have a value set upon it, and give the liferenter, say, 4 per cent. on that value. The remainder of the annual income must then be invested from time to time for the benefit of the fiar, the income on such investments being also paid to the liferenter in the meantime.

But even where it is necessary to convert there is a further question. What is the liferenter entitled to during the period between the death of the truster and the proper date of conversion, which in ordinary circumstances is one year from the date of death. There have been various English cases on this point, but the result seems to be that the liferenter is entitled only to the interest on the converted investment during the first year, the value of the converted investment being determined not as at the date of death, but as at the end of that year. (Menzies on Trustees, Section 1021, and cases there quoted.)

The converse of a wasting security is a reversion, *i.e.*, where a capital sum, out of which the liferenter should have been receiving income from the commencement of the liferent, is not actually received by the trust until some time afterwards, and the question is how this sum is to be divided between fiar and liferenter. A calculation must be made of the "present value" as at the opening of the liferent of the reversion when actually realised, and this amount will be reinvested as capital, the difference going

Donaldson v. Donaldson's Trustees, 12th December 1851, 14 D. 165. It is understood that the practice in England is different.

[7] *Cameron's*, 15th October 1873, 1 R. 21.

[8] Menzies on Trustees, Section 557, *et seq.*

to the liferenter as accumulated income—that is to say, the fiar's share is the sum which, invested on the day of the truster's death, would, with the accumulation of interest, have produced at the date of receipt of the reversion, the amount actually received. All the rest goes to the liferenter. (Menzies on Trustees, Section 1022.)

Where a loss is made on an investment, such as a loan over heritable security, the division of the sum finally realised between fiar and liferenter may raise a difficult problem. Suppose, for example, that the interest on the bond has fallen into arrear, and ultimately the property fails to realise enough to pay even the principal. There have been various cases on this point (Menzies, Section 1042), but the most equitable rule seems to be that the sum realised should be divided between fiar and liferenter in proportion to their total interests. Thus the arrears of interest, with interest on them, will be accumulated into one sum, and the principal amount of the loan will form the other, and the sum realised will fall to be divided proportionately between these two.

A discussion followed, in which several members of the Society took part, and Mr. Todd, having replied to the various points raised, was awarded a hearty vote of thanks, on the motion of the Chairman.

Personal.

The firm of T. & G. Rorie, C.A., Dundee, of which Mr. T. H. B. Rorie and Mr. George Rorie were the sole partners, has been dissolved as at 31st May of mutual consent. Each of the partners will continue business on his own account.

Scottish Merchants and Trust Deeds.

At a Committee meeting of the Scottish Wholesale Merchants' Association, held within the offices of the Secretary, 82 Gordon Street, Glasgow, the Secretary submitted papers regarding the winding-up of a trust estate by a country accountant. The assets realised about £140, whilst the solicitor's charges amounted to £23 6s. 6d., the auctioneer's charges £24 3s. 6d., the trustee's fee £12 12s., and sundry expenses about £15. The Committee was of opinion that this case served as a further proof that realisations under trust deeds should be placed under the control of a body of creditors, or under an official of the Bankruptcy Department. It was notorious that trustees and others burdened estates with unnecessary charges, thus sacrificing whatever little there might have been to distribute amongst creditors in the shape of dividends.

The Solicitor of the Society, Mr. Cochrane, reported that a Glasgow member of Parliament had now agreed to introduce into Parliament, at a very early date, the new Bankruptcy Bill as amended by this Society. The Bill, it is stated, will be backed by members of all parties.

Scottish Insolvencies.

For the week ending 15th June the number of insolvencies reported in Scotland was 23, as compared with 29 in the corresponding week of last year. The trust deeds numbered 13, as compared with 14; the sequestrations 4, as compared with 5; and the petitions for cessio 6, as compared with 10. The total number of insolvencies for the twenty-four weeks of the year is 671, as compared with 620 in the corresponding period of last year—the trust deeds numbering 333 against 303, the sequestrations 127 against 149, and the petitions for cessio 211 against 168. Of the 13 trust deeds reported during the week, 4 were granted in favour of Chartered Accountants. For the second week in succession no voluntary liquidations of limited liability companies have been gazetted, the total for the year remaining at 65.

Personal.

Mr. David P. Davies, F.S.A.A., announces that, after an absence of three years auditing in Germany, Holland, and Belgium, he has resumed practice at 3 York Street, Manchester.

Mr. W. Hill Hunter, Chartered Accountant, has removed from Midland Bank Chambers, 153-4 North Street, to Central Chambers, 2 North Street, Quadrant, Brighton.

Mr. William Mercer, Chartered Accountant, has removed to 44 Bedford Row, London, W.C., with branch offices at 11 St. Peter Street, St. Albans, and 34 High Street, Bromley.

Mr. Andrew A. Gillies, F.C.A., Manchester, has been placed on the Commission of the Peace for the county of Cheshire.

Messrs. H. D. Vellacott, A.C.A., T. Burton Miller, A.C.A., and H. Millner Morris, A.C.A., announce that they have entered into partnership as from the 1st inst., and will practise at 141 Fenchurch Street, London, E.C., under the style of Vellacott, Miller & Co.

Mr. Myles Lee, of the firm of Lee & Whitfield, Chartered Accountants, 17 East Parade, Leeds, has been added to the list of the Justices of the Peace for the city of Leeds.

ANNUAL PICNIC.—The fifteenth annual picnic of the firm of Messrs. David Smith, Garnett & Co., Chartered Accountants, Manchester, took place on Saturday last, the 15th inst. The partners and staff left London Road Station by the L. & N.W. Railway 12.5 train for Buxton. The party was comfortably provided for in three saloons, and refreshments were enjoyed *en route*. Rain descended heavily during the journey, but hope prevailed that there might be a fine drive to Ashbourne in the afternoon. On arriving at Buxton the stage-coach and char-a-bancs were quickly taken possession of. The route was over the London Road, and whilst the first portion was somewhat bleak, there was attraction in the fresh air and the beautiful green of the hills. On the left was passed the prettily-situated village of Chelmorton; a little later the station of Parsley Hay, and further on Alsop-en-le-Dale. The scenery was now exceedingly beautiful; the foliage full, and the bloom on the pink hawthorn and horse-chestnut were exceedingly fine. After passing Fenny Bentley the destination at Ashbourne was quickly reached. An excellent meal was partaken of at the Ashbourne Hall Hotel. There were present in all seventy-three, only six out of the staff of seventy-nine being absent. Mr. David Smith was away in Scotland, and had sent his good wishes by letter through Mr. Garnett, who presided. In speaking on behalf of the firm, Mr. Garnett expressed his sincere pleasure at being present and being able to afford every member of the staff another opportunity of all coming together in this friendly way. The appreciation of the staff was expressed by Mr. McDougall (who leaves for an appointment in India within the next few months, and carries with him the sincere good wishes of the office) and Mr. Lord. At 7.15 the party took train for Manchester, and notwithstanding the rain in the afternoon, and the slow journey home, the outing was thoroughly enjoyed by all.

Bank Rate of Discount.

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The Accountant.

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Extract from *Auditing*, by LAWRENCE R. DICKSEE, F.C.A.
(*Page* 190)

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Leading Articles.

The Liability of Auditors.

THE recent decision of his Honour Judge THOMAS, at the Liverpool Bankruptcy Court, in *Re The Liverpool and Wigan Supply Association, Lim.*, is of considerable interest to our readers, raising as it does the important question of the measure of the legal liability of company auditors; while an additional importance is given to the case by reason of

the circumstance that proceedings were instituted under the misfeasance section of the Companies (Winding-up) Act, 1890, a form of procedure which is responsible for practically all the leading cases on the subject.

None of the accounts of this case appearing in the local press are quite so clear as could be wished, but those who are generally acquainted with the technicalities of the matter will not find much difficulty in arriving at a general idea of the position as a result of a perusal of the account in the *Liverpool Courier* of the 15th inst., upon which our Law Report is based. From this it appears that a misfeasance summons was taken out by JOHN MCCORMICK, A.C.A., of Liverpool, the liquidator of the Liverpool and Wigan Supply Association, Lim., against Mr. ARTHUR CAMPBELL, A.C.A., of Manchester—who was auditor of the company from its formation in 1899 down to the date of its liquidation in August 1906—asking for an order that Mr. CAMPBELL should contribute such sum of money to the assets as the Court might think fit and proper by way of compensation in respect of his misfeasance and neglect of duty, as auditor of that company. The charge being that he, as such auditor, did make Balance Sheets for the half-years ended the 30th day of June 1905 and the 31st day of December 1905 which were inaccurate and misleading, and had not used reasonable care and skill in the making and preparing of such Balance Sheets, but had neglected his duties as auditor of the said company, and thereby caused loss of assets and damage to shareholders and creditors.

Without stopping to inquire whether it is ny part of the duties of a company auditor, as h, to "make" or "prepare" Balance Sheets, or whether it is possible to make a Balance Sheet for a half-year or any other period of time, we may point out that the only ground for complaint urged against the respondent auditor appears to have been that, in these Balance Sheets, assets which eventually realised only £23 odd were valued at about £950, the assets consisting for the most part of book debts. It was alleged, however, that there was a discrepancy of some £45 in the amount at which the bank balance was stated. The only witness called was a creditor in the liquidation—who had formerly been a director of the company—who alleged that he had lost heavily owing to the inaccurate state of the Balance Sheet, which had shown that twenty shillings in the £ could be paid if the company were wound up. This witness also stated as a fact that no Cash Book had been kept by the company, and admitted that a Balance Sheet which had come to his knowledge as a shareholder bore a certificate by the auditor to the effect that certain information and figures it contained were obtained by the auditor from a Mr. OLIVER, who was one of the directors.

The main facts do not appear to have been in dispute, but in themselves hardly carry the case beyond the point of showing that a considerable loss was sustained on the realisation of the company's property. Apparently, however, the system of bookkeeping in force was by no means all that could be desired, with the result that the auditor was more than usually dependent upon directors and other officers of the company for information as to the true position of affairs. The applicant, however, does not appear to have attempted to carry his case beyond showing that creditors in the liquidation suffered a loss which they would not have sustained had his realisation of assets

in the liquidation borne out the figures contained in the company's half-yearly Balance Sheet; and it must surely have been obvious to his legal advisers that an application based upon these grounds only was doomed to failure.

It was alleged, and does not appear to have been denied, that the misfeasance summons was really taken out for the benefit of a creditor; but it does not appear to have been realised that, before the Court can be successfully invoked under the misfeasance section, it is necessary to show that there has been a loss of assets to the company as a result of misfeasance committed by the respondent. Even supposing it could be proved that assets had been included in a Balance Sheet at an absurdly inflated value, and that that Balance Sheet had been passed by the company's auditor without his exercising reasonable care and skill in the discharge of his duties, that in itself would cause no loss of assets to the company. Creditors might possibly be misled by a false statement of this description into giving credit to the company far beyond the limits that they would otherwise have gone, but such a consequence as this could in the nature of things cause the company no loss. It is, it seems to us, only when dividends or commissions have been paid in excess of the profits properly divisible, as the result of misleading accounts that have been negligently audited, that it can be said there is any loss of assets to the company consequent upon the misfeasance of its auditor. If this view be correct, it follows that no misfeasance summons could hope to succeed in cases where no dividend or commission dependent upon profits has been paid; and this appears to have been the view taken by his Honour, who held that no evidence had been brought before him to show that the assets of the company had been diminished by anything that the auditor had done, and that, therefore, the proceedings must fail. He, however, declined to give the respondent his costs.

From the report before us it would almost appear as though these proceedings, although taken in the form of a misfeasance summons in the name of the liquidator, were desired in effect to accomplish the purpose of an action by a creditor to recover damages for alleged misrepresentation. There can be no doubt that a creditor who felt himself aggrieved would not be entirely without his remedy—assuming, of course, that he could satisfy the Court as to the facts—but the misfeasance section of the 1890 Act was never intended to facilitate the enforcement of claims of individual creditors. It merely provides a summary procedure by which the company may obtain an order for damages against any, or all, of its officers who may have been guilty of gross breach of duty; and it cannot be too strongly pointed out that, in his capacity as auditor to a company, an auditor owes no duty to that company's creditors. He is, of course, not entirely without responsibility to those creditors if it can be shown that he has intentionally misled them; but a claim based upon these grounds is in all respects different to a claim based on misfeasance, and therefore the summary procedure provided by the Act of 1890 is not applicable for the enforcement of such claims, even where they exist.

The Prevention of Corruption Act and Auditors' Duties.

IN our issue of the 15th inst. a correspondent, signing himself "Auditor," expressed a desire that we should give our opinion with

regard to the duties of auditors when reporting to shareholders on the annual accounts of companies in which large amounts are paid as commissions. Our correspondent instances the case of a company whose business consists mainly of repairs to property, and who charge against their annual profits a considerable sum, under the head of discounts and allowances, which the auditor has good reason for thinking is expended in the way of commission among employees of customers, although no details appear in the books throwing any light upon this suspicion.

Our own view is that the position of a company auditor has been in no way affected by the Prevention of Corruption Act. That Act merely made a criminal offence, punishable by fine or imprisonment, actions which under the then existing law were always irregular and improper. We do not think that we are overstating the case when we say that inasmuch as any person paying commission to the employee of another may be proceeded against civilly by that other, who may recover from the first party the amount of the commission he has paid, it follows that the payment of such commission has always been illegal. If the regulations of a company authorise its agents to commit illegal acts they are, *pro tanto, ultra vires*. Therefore it seems to us that the payment of corrupt commissions, even when authorised by a company's regulations, and *a fortiori* when not so authorised, is a misappropriation of the assets of a company, and therefore a matter which it is the duty of the auditor to report to the shareholders in all cases where it comes to his knowledge. This, it seems to us, is the position both before and after the passing of the Prevention of Corruption Act of last year.

On the other hand, it remains to consider how far it is the duty of an auditor to make inquiries into such matters, which, it may reasonably be assumed, are not prominently disclosed in the company's accounts so that he who runs may read. The correct attitude for the auditor to adopt under such circumstances becomes, we think, quite clear directly it is admitted that the payment of corrupt commission is in effect a misappropriation of the company's assets. If the auditor finds nothing to arouse his suspicions, very little inquiry will suffice to satisfy him. If, on the other hand, he has suspicions, it becomes his duty to probe matters either until he is satisfied that his suspicions were unfounded, or until he has brought to light the full story of the misappropriation.

In conclusion, however, we should like to point out that all commissions are not necessarily corrupt commissions, and that, while perhaps the majority of cases are readily capable of being classified as legitimate or corrupt, certain others will be upon the borderline, and will remain uncertain until the Courts have decided them. Even then case law is not likely to prove a very valuable guide, as in the majority of instances the circumstances will differ in each separate case. For his own sake the auditor who values his reputation will take pains to see that the accounts which he passes are not open to attack. On the other hand, he will probably not be slow to recognise that his primary duty to the company is to conserve its interests, and these are not likely to be advanced by attacking the payment of commissions that are not illegal in themselves.

Liquidation without Audit.

ATTENTION has been drawn from time to time to the illusory nature of the safeguard supposed to be afforded to investors by the appearance upon the front page of a company prospectus of the name of a well-known firm of Chartered Accountants as auditors to the company. Prior to the passing of the Companies Act, 1900, such a statement meant absolutely nothing, in that it provided no effective assurance that the firm in question would ever be appointed auditors to the company. Since the 1900 Act came into force, however, matters have been improved to this extent, that directors became more definitely responsible for the statements contained in a company prospectus; and inasmuch as Section 10 (1) (*l*), provides that the names and addresses of the auditors (if any) must be stated in every prospectus issued, it is probable that most directors or promoters having anything to lose would hesitate about making use of the name of a firm of auditors when they had no intention of securing for them the appointment of auditors to the company.

To a certain extent, therefore, it may no doubt be said that matters have improved of late years, but that they are still in a far from satisfactory state is evident from the correspondence that has recently passed between the Motor Bus Company, Lim., and its auditors, Messrs. WOODTHORPE, BEVAN & Co., which we give below. It is apparently proposed that the company should go into voluntary liquidation, with a view to its business being amalgamated with that of other similar companies. But, as Messrs. WOODTHORPE, BEVAN & Co. point out, their name appeared as auditors of the company on the prospectus issued to the public, yet no audit has been conducted, although the company has been in existence for eighteen months; and it is now proposed to place the company in voluntary liquidation without any such audit being made by those whom the prospectus represented to all whom it might concern were to audit the accounts of the company.

That such a state of affairs is eminently unsatisfactory few disinterested persons would care to deny. Assuming an independent liquidator is appointed, it might possibly be argued that, inasmuch as he would naturally make a full inquiry into the whole of the company's transactions during the period of its existence, any smaller and necessarily more limited inquiry undertaken by the company's auditors immediately prior to the liquidation would be a mere waste of time and money. It may be pointed out, however, that when a company goes into voluntary liquidation with a view to reconstruction or amalgamation, it is not usual for its past transactions to be hostilely criticised by the liquidator, and that the sort of investigation normally conducted in such cases can in no sense be regarded as taking the place of the proper statutory audit.

It may, moreover, be pointed out that, if shareholders are to be called together to consider resolutions for voluntary winding up with a view to amalgamation, they are in effect being asked to agree to the sale of their undertaking upon certain terms. To enable them to form any opinion as to whether these terms are reasonable, or the reverse, it is necessary that a proper statement of accounts should be placed before them. Any such statement is required by Section 23 of the 1900 Act to have been previously audited by the company's auditors. And it is

thus a clear infraction of a statutory provision if any such statement of accounts be submitted to the shareholders unaudited; while, upon the other hand, it is obvious that, unless some such statement of accounts be placed before the shareholders, they are in the dark as to the true facts of the case.

At the same time it would appear that the directors propose to pursue this extremely undesirable course of convening a general meeting of the Motor Bus Company, Lim., with a view to liquidation, without first having the company's accounts properly audited. And, should the resolution for liquidation be passed, it is evidently their intention and desire that there should be no such audit, for, in a letter to Messrs. WOODTHORPE, BEVAN & Co. dated the 3rd inst., they state "that if an audit "of the company's accounts becomes necessary "through its continued existence, you will be "instructed," thus making it clear that no such instructions will be given by the directors if the proposed resolutions for liquidation are duly passed.

The abuse—for it can be called nothing else—is, it seems to us, really part of a larger question which calls for urgent consideration, in that, until it has been satisfactorily dealt with, it is practically waste of time to make any attempt at providing an efficient system of audit. As matters stand at the present time the directors of a company have, for all practical purposes, uncontrolled power of postponing the issue of that company's accounts. Theoretically, general meetings are supposed to be held annually, and accounts are supposed to be prepared and audited once a year, indeed the auditors' appointment is usually made as for the ensuing year. At the same time 'ing is easier—and, for that matter, few things are more usual—than for a period exceeding twelve months to elapse before any accounts are prepared for audit. In the meantime, although the auditor has, for what it is worth, the power of at all times attending at the company's offices, inspecting its books, and demanding explanations, these privileges provide no effective safeguard to the investor, inasmuch as there is no obligation upon the part of the directors to have the company's accounts kept properly up to date, and unless they are up to date they cannot, of course, be effectively audited.

A further question occurs to us at this stage, and that is as to whether an auditor appointed, as is very customary, "for the ensuing year" can be said to continue to hold office until the next ordinary general meeting if a period exceeding twelve months elapses between the two dates. For our own part, we think it questionable whether the appointment does not lapse at the expiration of the prescribed period of twelve months. And if this supposition should prove to be correct, the position is, of course, even more unsatisfactory than had at first been supposed, as it must mean that directors who may wish to get rid of an inconveniently conscientious auditor may readily do so by the simple expedient of delaying the audit until the auditor's term of office has expired. We know of no legal decision bearing upon the point, but it may be remembered that, some few years since, the Cardiff Corporation refused to allow one of its elective auditors to complete his audit, on the ground that his appointment was for twelve months only, and that this period had expired. In so acting the Town Council had no doubt taken what it thought to be good legal advice, and the conclusion is certainly inherently probable. If there is

anything in this suggestion, it would follow that, the appointment of auditor having lapsed, the company is without an auditor, but not under such circumstances as to enable the Board of Trade to appoint one on the application of any member. The position would appear to be rather that a casual vacancy had been created, which might be filled by the directors of the company in accordance with the provisions of Section 21 (5) of the 1900 Act—that is to say, everything appears to lend itself towards smoothing the path of directors in cases where they are desirous of evading their proper responsibilities.

The following is the correspondence:—

To Vincent F. Boreham, Esq.,
Secretary, Motor 'Bus Co., Lim.,
Shrubland Road, Dalston, N.E.

Dear Sir,—Our attention has been called to a circular, dated the 3rd instant, issued by you at the instance of your directors, in which it is stated:—"It is proposed to make up the accounts of this company to the date of the liquidation and to submit them to the liquidators for audit." We desire to call the attention of your board to the fact that we are the company's auditors, having been properly appointed in accordance with the articles of association, under the provisions of the Companies Act, 1900. We shall be glad, therefore, to know the grounds upon which it is proposed that the accounts shall be audited by the liquidators, who, we venture to suggest, seeing that they will have the conduct of the liquidation, are not the proper persons to audit the accounts on behalf of the shareholders. The company was formed in November 1905, and in February 1906 we certified, as auditors, the receipts and payments on Capital Account in the report presented to the shareholders at the statutory meeting, since which no accounts have been submitted to us.

We are, &c.,
WOODTHORPE, BEVAN & Co.

1 Leadenhall Street, E.C.,
8th May.

Messrs. Woodthorpe Bevan & Co.,
Leadenhall Buildings,
Leadenhall Street, E.C.

Dear Sirs,—In reply to your recent letter, I am instructed to inform you that the audit referred to in the circular in no way interferes with your position as auditors of the above company, and that if an audit of the company's accounts becomes necessary through its continuing in existence you will be duly instructed.

Yours, &c.
VINCENT F. BOREHAM, Secretary.
Motor 'Bus Company, Lim.

Shrubland Road, Dalston, N.E.
3rd June.

To Vincent F. Boreham, Esq.,
Secretary, Motor 'Bus Company, Lim.,
Shrubland Road, Dalston, N.E.

Dear Sir,—We duly received your letter of the 3rd June in reply to ours of the 8th May last. It is most unusual to refer accounts for audit, not to the properly appointed auditors responsible to the shareholders, but to the liquidators who, as your directors must be well aware, would be under no legal obligation to submit to the shareholders, and report upon, the company's accounts for the year and a-half of its existence. Such a course would deprive the shareholders of the principal protection afforded them by the Companies Acts. As our name appeared as the auditors of the company on the prospectus issued to the public we have the strongest possible objection to the company's passing into liquidation until a proper investigation of its affairs has taken place, in compliance with the provisions designed by the Legislature for the protection of the shareholders. We think that the shareholders will agree with us in this respect.

We are, &c.,
WOODTHORPE, BEVAN & Co.

1 Leadenhall Street, E.C.,
12th June.

Weekly Notes.

Manchester University M.Com. Degree.

At a meeting of the Victoria University of Manchester, held on the 19th inst., it was decided to confer the degree of M.Com. on Mr. Drummond Fraser, lecturer on Banking, and on Mr. R. N. Carter, F.C.A., lecturer on Accounting at this University.

Another Building Society Scandal. From the reports that have found their way into the press of the 61st annual meeting of the Wakefield and West Riding permanent Building Society, it would appear that this must be added to the already lengthy list of societies that have caused loss to their members through slackness of financial control and audit. As the late secretary of the society has been committed for trial to the Assizes it is, of course, premature for us to consider the question as to who is directly responsible for the losses that have been sustained, but with regard to the question of audit it is of interest to observe that the members have at last sufficiently awakened to a sense of their responsibility in the matter to pass a resolution for the appointment of professional auditors in the future. They have also apparently taken counsel's opinion as to the legal responsibility of the previous lay auditors, and it is stated that counsel has advised that there was a valid and binding contract between the society on the one hand and the auditors on the other, and that in the events which had happened a breach of contract appeared to have been committed for which the auditors might be responsible, but that how far the responsibility extended depended entirely upon the weight of evidence. Such an opinion can hardly be said to err upon the side of undue rashness, but so far as it goes it is clearly unexceptionable, and it will be interesting to see what, if any, further steps are taken in the matter.

Limited Partnerships. In the House of Commons last week the Limited Partnerships Bill, as amended by the Standing Committee, was considered and read a third time.

The Bank Rate and the Amalgamation Question. In the 1907-8 edition of "London Banks," Mr. Thomas Skinner points out that the average bank rate was 4·269 per cent., and as the average bank rate ruling in this country during the forty years to the end of 1906 was only 3·207 per cent., in that in only two of the forty years was the average higher than in 1906, it will be easily understood that last year's average indicates rather abnormal conditions. In 1890, which was a year of financial struggle, the rate was 4·52 per cent., and in 1873, the year of the Franco-German War Indemnity, the rate was 4·288. It would be an interesting speculation to advance theories as to what the rate might be if another European war fell upon us at this moment. The same publication points out that a remarkable diminution has taken place during the last ten years in the number of banking firms and companies in the United Kingdom. The amalgamation problem has been discussed on many occasions, and there is nothing new to be said. It should, however, be remembered that, with regard to statistics in connection with this matter, a fall in the number of amalgamations does not count for very much, because the number of units that are capable of being amalgamated necessarily grows less with each amalgamation.

Questions in the House. In the House of Commons last week the Chancellor of the Exchequer was asked whether the interest on foreign Government securities, not payable in the United Kingdom, but which had to be sent abroad for payment—such as French Rentes, Italian Rentes, and Japanese Internal Loan—was assessable under Schedule "C," as were the dividends of colonial and foreign stocks which were payable in the United Kingdom. Mr. Asquith replied to the effect that interest on all foreign and colonial securities was chargeable with tax if and when received in this country, whether paid here or collected through an agent. In the former case it would be chargeable under Schedule "C," and in the latter under Schedule "D." Mr. Asquith was also asked what legal documentary evidence was required by the Inland Revenue authorities for a refund of income-tax to prove the ownership of securities standing in names other than those of the claimants, and whether an affidavit from the person or persons in whose name or names the investment stood would be accepted as sufficient evidence in the absence of any deed of trust. The reply was that a simple affidavit as indicated would not be sufficient in all cases, as the circumstances of each case would require to be considered on their merits. With regard to the pension question, an inquiry was made as to whether, for the purpose of income-tax in the current year, the pensions of civil servants and of naval and military officers were being treated as earned or as unearned income, and whether, in cases where income-tax at the rate of 1s. had already been paid, a rebate would be allowed in the event of the Finance Bill becoming law. The Financial Secretary of the Treasury said that no distinction would, or could, be made between earned and unearned incomes until the Finance Bill had been passed, but when that event occurred

each case would be separately considered and dealt with.

American Railroad Accounts. A Reuter's telegram announces that the Inter-State Commission has promulgated a uniform system of accounts in connection with railways under the Railroad Rate Law, which was passed during the last session of Congress. The system is intended to take effect from the 1st prox.; it covers operating revenues and expenses, and is designed to secure a correct statement of the revenues from actual working, and to keep the cost of improvements out of the operating expenses. Reports are to be made monthly under the new regulations.

The Workmen's Compensation Acts. The report of the decision of the House of Lords in *Nicholson v. Piper* should be pasted in the text-books relating to the Workmen's Compensation Act, 1906, for it may have an important bearing on future legislation in that direction. The decision seems to be perfectly clear, and merely amounts to a declaration that "ended" means ended! A County Court Judge had decided that a workman was fit to resume his occupation, and accordingly made an order ending the weekly payments of compensation. It was held that the matter could not be reopened for review.

The Dummy. In the case of *Harbord v. Drake and others* the articles of association of a limited company contained a provision that on a liquidation supervening the subscribers to the memorandum of association should be entitled to receive 25 per cent. of the surplus assets. Three "dummies sought to enforce their individuality, but Mr. Justice Parker held, on the facts, that the shares were not a present, but were held in trust for the plaintiff. The particular facts of the case must be borne in mind, and perhaps no general rule is deducible from the decision.

The Value of Balance Sheets. A correspondent of a financial contemporary, who replied to a certain advertisement in which preference shares were offered, received the following amusing letter from the advertiser:—

"DEAR SIR,—I am in receipt of your letter of yesterday. Of course there are Balance Sheets, but these may, without some explanation, be misleading, inasmuch as during the last 18 months considerable moneys have been expended out of the profits of one of the papers in order to make the other.—Now both are yielding a large income and the second is expected to largely excel the first!"

The previous communication had said that the auditors of the company were themselves finding a portion of the preference shares, but the remark as to the Balance Sheets, which might be misleading, is somewhat naive, to say the least of it.

Post Office Savings Bank Figures. The following statistics have been given by Mr. Runciman in reply to a question put by Mr. Byles in the House of Commons:—

Amount due to Depositors on 31st December 1906	£155,996,446
Amount of Consols sold during 1906 ..	1,777,644
Average price obtained	88
Amount of Consols held on account of the Post Office Savings Bank at 31st December 1906	59,977,688
Deficiency in Income for 1906 ..	119,870

The amount of Consols sold includes £1,715,644 transferred to depositors at the average price of the day, and during the same period £883,730 Consols were purchased by transfer from depositors.

Auditorial Promptness. We understand that the Local Government auditor was able to complete his audit of the accounts of the Guardians of the City of London Union for the half-year ended the 25th March last on the 24th May following. This is stated to be the first time that it has been found possible to complete the audit within three months of the close of the half-year. It is gratifying to learn that, in at all events some cases, accounts officially audited are certified by the auditors before they have passed into the limbo of ancient history, but it is not a little significant that an interval of two months for the audit of accounts appears to be regarded as practically an official record. It would be interesting to know what percentage of accounts professionally audited take more than two months to audit, and what proportion are completed within that period. At a rough estimate we should put the figures at 10 per cent. and 90 per cent. respective

The Depreciation of Electrical Undertakings. Our contemporary *The Municipal Journal* attempts to turn the tables upon what it describes as company undertakings by showing the ratio of their annual provision for depreciation with their capital expenditure with the result that the maximum provision appears to be 3·69 per cent. charged by The Smithfield Markets Company, followed by 3·24 per cent. for the St. James's and Pall Mall Company, and 3·01 per cent. by the Brompton and Kensington. Six undertakings make provision of between 2 per cent. and 3 per cent., twenty less than 2 per cent., and eight no provision at all. Our contemporary is, perhaps, not unnaturally delighted with the result of its statistical investigation. It appears, however, to overlook one somewhat important point, that, in the case of companies, whatever renewals may be necessary are borne out of revenue, the expenditure having sooner or later to come out of the pockets of private individuals, who are the proprietors of the undertaking. In the case of a local authority, however, the renewals, when necessary, are very frequently capitalised, and if there is any error of accounting it is the community that suffers, and not a mere handful of capitalists, who may be quite well left to look after their own interests.

Solicitors and their Accounts. The Committee appointed at the special general meeting of the Law Society held in January last to consider what rules and regulations (if any) should be adopted by the Society as to solicitors' methods of keeping accounts, &c., has now issued its report. The matter is of such interest that we propose to deal with it next week at length in an article. In the meantime we may mention that the recommendations are of an important and far-reaching character, and include one virtually giving solicitors the alternative of (*a*) having their accounts regularly audited by a Chartered or Incorporated Accountant, or (*b*) keeping a separate Banking Account for clients' moneys, and executing an annual declaration to the effect that they have in fact been so kept separate. As at present constituted, the Law Society has no power of enforcing these recommendations, so that legislation will be necessary if anything is to come of the Committee's findings.

The New Compensation Act. The new Workmen's Compensation Act comes into force on the 1st prox. and thus practically all employers of labour in any form have had to consider whether they will themselves run the risks that this measure imposes upon them, or cover themselves by insurance. Those employing a limited number will, if they are prudent, elect to adopt the latter course, but where the number of employees is sufficiently great to provide a reasonable average of experience, there is, of course, nothing unduly hazardous in the employer effecting his own insurance, upon the same principle that the largest shipping companies have always insured their own fleets.

The Payment of Accounts. In a case that came before his Honour Judge Rentoul in the City of London Court last week his Honour stated that there was a great reluctance on the part of the Courts to make a man pay twice if he has paid a traveller or agent, and that people employing travellers should get security from them before they turn them loose to swindle the public and then depart. In a case where a firm of cigar merchants sued an hotel proprietor for goods supplied, and the defence was that payment had been made to the traveller who took the order (with whom the defendant had dealt for five years), notwithstanding the fact that the plaintiffs' invoices stated that no payments would be recognised unless sent direct to the firm, his Honour gave judgment for the defendant, with costs.

Correspondence and Enquiries.

All communications to the Editor should be by letter only.

[*We are at all times ready to insert correspondence on matters of interest to the Profession, but we do not of course hold ourselves in any way responsible for the opinions expressed by our correspondents. Correspondence intended for current issue must reach us at the latest by Wednesday afternoon; and must in all cases be accompanied by the name and address of correspondents, not necessarily for publication, but as a guarantee of good faith.*]

Compensation Levy.

(*To the Editor of The Accountant.*)

SIR,—In Mr. Daniel Hill's letter appearing in your issue of the 15th June it is not clear to me whether compensation charges are a charge against profit for income-tax purposes for all houses, that is, managed and let. The Surveyor for this district informs me that compensation charges paid by brewery companies in

respect to houses let to tenants are not a deduction in arriving at taxable profit. I shall be pleased to hear Mr. Hill's view on this point.

Yours faithfully,

Birmingham, June 20th 1907. NOVICE.

The Union of Chartered Accountant Student Societies' Transactions.

(*To the Editor of The Accountant.*)

SIR,—In the article under the above heading in your issue of this date you refer to certain omissions in the recently-issued volume of the Transactions for 1906, and included in the list of these omissions is a paper by me on "The Criticism of Accounts." This paper was read by me to the Nottingham Students' Society in 1906, but it had previously—in the autumn of 1905—been read to the Leicester Society, and it was therefore printed in the Transactions for 1905.

I am, Sir, your obedient servant,

WM. R. HAMILTON.

Nottingham, June 22nd 1907.

[We are much obliged to Mr. Hamilton for drawing attention to this circumstance, which we had for the moment overlooked, as it is a very general practice for lectures not to appear in print until they have been delivered at all the different places contemplated.—ED. *Acct.*]

Finance Bill, 1907.

(*To the Editor of The Accountant.*)

SIR,—Referring to my letter, which you published in your issue of the 8th inst., I have recently heard that the proposal to repeal Section 133 of the Income Tax Act, 1842, has aroused a good deal of opposition, and that members of Parliament are receiving many communications upon the subject. I have also heard that there is a possibility that the Chancellor of the Exchequer will make some concession when the matter comes up for discussion in Parliament. Those of your readers who have friends in the House of Commons will be serving a good cause by directing attention to the matter.

Stated briefly, the point is this:—Under the Taxes Management Act, 1880, the Government reserves to itself the power to make a supplementary assessment upon persons who are found to have paid insufficient tax. Section 133 of the Act of 1842 gave power to persons who had paid too much tax to recover from the Commissioners. It is now proposed to retain the former and to do away with the latter—a case of heads I win, tails you lose.

Yours truly,

London, 24th June 1907. CYRIL COX.

Imprisonment for Debt.

(*To the Editor of The Accountant.*)

SIR,—In your remarks on the subject of imprisonment for debt you state that the threat of imprisonment may prove valuable "as a means of stirring up apathetic debtors to make the necessary effort." If it stirred them up to earn the money it might indeed be useful, or if it induced them to part with money which would otherwise have been put by or employed in some much more objectionable way. But this only occurs in a very few cases. The money necessary to stave off imprisonment is usually found by borrowing—often at exorbitant rates, and perhaps by pawning clothing or furniture belonging to the debtor or his family—or by buying goods on credit which he would otherwise have paid for, or by leaving other more deserving creditors unpaid. The assumption that the debtor has money in his possession which, if he were a conscientious man, he would apply in payment of this debt, is hardly ever correct. By paying it his liabilities are not reduced—they are usually increased; and by staving off one committal order he lays the foundation of another, which is applied for ere long. The same debtor frequently appears before the County Court with a change of creditors. He has never got out of debt or even reduced his indebtedness. There is a change of creditors, and the loss is transferred from the first to the last creditor.

The figures cited by you are the imprisonments under committals by the County Courts alone. The total number of imprisonments for debt in England and Wales during the year 1905 was not 11,427, but 20,290. (It was the first time that 20,000 was reached.) In Ireland the corresponding figure was 71! Comment is needless. Scotland, like Ireland, is practically free from this evil.

Truly yours,

B. L.

Joint Holdings and Death Duties.

(*To the Editor of The Accountant.*)

SIR,—Your correspondent "Holderness," in your issue of June 15th, mentions a case in which a testatrix transferred shares into the joint names of herself and her daughter more than a year before her death, and

asks whether estate duty is payable in respect of these shares, and, if so, whether it falls upon the shares themselves?

It appears to me that estate duty is payable, and for the following reasons:—The Finance Act, 1894, imposes the duty on all property passing on a death, and specifies (Section 2) that such property shall include, *inter alia*—

> "(*c*) Property which would be required on the death of the deceased to be included in an account under Section 38 of the Customs and Inland Revenue Act, 1881, as amended by Section 11 of the like Act of 1889, if those sections were herein enacted and extended to real property as well as personal property, and the words 'voluntary' and 'voluntarily' and a reference to a volunteer were omitted therefrom."

And on turning to Section 38 of the Act of 1881 here mentioned we find among the property to be included in the account—

> "(*b*) Any property which a person dying on or after the day named, June 1st 1881, having been absolutely entitled thereto has (voluntarily) caused or may (voluntarily) cause to be transferred to or vested in himself and any other person jointly, whether by disposition or otherwise, so that the beneficial interest therein or in some part thereof passes or accrues by survivorship on his death to such other person."

The Act of 1889 extends this provision to purchases of fresh property as well as transfers of existing property, but does not otherwise affect it.

These provisions will be seen to meet the case put, unless there are other circumstances which exclude it, such as an immediate declaration of trust for the daughter absolutely.

Secondly, the shares themselves should bear the proportion of the duty attributable to them. This follows from Section 9 (1) of the Finance Act, 1894, which is in the following words:—

> "A rateable part of the estate duty on an estate, in proportion to the value of any property, which does not pass to the executor as such, shall be a first charge on the property in respect of which duty is leviable; provided that the property shall not be so chargeable as against a *bonâ fide* purchaser thereof for valuable consideration without notice."

The same section, and also Section 14 of the Act, contain provisions enabling the executor to recover the share of duty from property which does not pass to him.

Yours faithfully,

A. D. T.

Income Tax.

(*To the Editor of the Accountant.*)

SIR,—A limited company had a mortgage debenture debt of £18,000, being the total issue then authorised, repayable in 1908. In 1906 they were anxious to take further powers for a total of £40,000 to cope with increased trade.

To do this, in 1906 it was necessary that the existing debenture-holders should consent to be paid off before the due date of the debentures, and they, or a substitute, should take the new debentures for a further term of ten years. The company therefore paid a commission or brokerage of 2½ per cent. on the debentures so arranged.

Relying on the reply of the Treasury to the memorial addressed to the Chancellor of the Exchequer on this subject in 1896 (see Murray & Carter, 4th edition, pp. 192-3), I asked that this commission should be allowed as a deduction from profits liable to tax.

The Surveyor, in declining, stated that this reply only related to trust companies, and that trust companies differed from trading concerns, inasmuch as it is part of the business of the former to vary their debenture debt.

This contention is contrary to my experience of trust companies, but I might mention that one of the objects in my clients' memorandum is to borrow money on debentures.

I should be much obliged for your views, or the views of your readers, on the question.

Yours faithfully,

21st June 1907. ENQUIRER.

Repayment of Income-Tax.

(*To the Editor of the Accountant.*)

SIR,—I should be glad if you, or any of your readers, would tell me whether income-tax can be reclaimed under the following circumstances.

A foreigner sells his business, which is carried on abroad, to a company registered in England, taking as part of the purchase-price shares in the company.

Income-tax is deducted from the dividends payable on his shares in the ordinary way.

Is he, being a foreigner, entitled to repayment of the amount of tax so deducted?

Yours faithfully,

INTERESTED.

Depreciation.

(*To the Editor of The Accountant.*)

SIR,—The constant reference to this subject in your valued columns is evidence of its importance.

Quite naturally, different minds will see it from different points of view, but all agree upon the necessity of dealing with it in some form or other.

The method of doing this in the past (when not omitted altogether), *i.e.*, to treat all items as having a certain period of useful life, is again being strenuously urged as the proper way, and various books and authors giving stated percentages for every known class of machinery and works are cited in justification of such mode of procedure.

When carefully considered it will be seen that this is simply reverting to the old rule of thumb, only varied somewhat by apportioning different rates to different objects, instead of one rate to cover all, as in the good old-fashioned style. If the simple adoption of rates as hitherto practised sufficed, the present controversy would be not only unnecessary, but mischievous.

But it is found to have failed most lamentably, owing mostly to the introduction in recent years of improved methods of manufacture. Important industrial concerns throughout the kingdom, having been rudely awakened by stress of competition, find their plants and undertakings (the accounts for which have been regularly audited and certified) to be inadequate and of very different actual values to those shown on published Balance Sheets.

There is no finality in mechanical inventions, and those who ignore this proposition are bound to go to the wall.

To mention only a few well-known instances: the conversion of horse tramways to steam, and then from steam to electricity; the partial supersession of horse omnibuses by motor buses; and the change among multitudes of large manufacturing concerns from steam power to electrical driving, thus rendering their costly engines, boilers, gearing, &c., useless—and this is proceeding with ever accelerated speed in every manufacturing district served by large electric power stations. Yes, indeed! nothing can be easier—and perhaps more to the heart of an auditor who revels in diagrams and scales—than to adopt a certain permanent rate for depreciation. But he, whoever he is, that fixes such a rate, must ignore improvements, obsolescence, supersession, and the human factor of maintenance!

One of your correspondents refers to a book written in 1894 giving rates for depreciation. Why, Sir, it sounds almost patriarchal to mention such a date in connection with this subject.

Where, in 1894, was suction gas, which is replacing our steam plants by the hundred; or the marine turbine, which is revolutionising our national and commercial navies? What about the steam locomotives and rolling-stock of the Metropolitan Railway, and the enormous amount of obsolete plant which our huge combines in the textile and other trades have had to throw out quite recently, but which stood at startling figures in their books? Two large manufacturing firms have just written off over £100,000 each from plant not yet six years old, because no longer of use! I could go on citing instances of this kind *ad nauseam*, if it were necessary; I hope, however, enough has been said to show the impossibility of anyone, expert or otherwise, fixing rates for depreciation which shall cover a lengthened term of years. If such permanent rates be adopted it can only result in disappointment.

Either too little provision will be made and a rude awakening follow in course of time, or too much will be written off and the concern starved, and shareholders or owners be deprived of their legitimate profits.

When England was "the workshop of the world" it did not matter so much whether plant and machinery were up to date or otherwise; but how different it is now! Go into any of the large steel, iron, or engineering and machine-making works, and you will find new American machines and devices replacing the old English types—the older ones, upon which we formerly set such store, having been relegated to the scrap heap.

We simply *must* move with the times if we are to hold our own, and there is only one way by which this can be done, viz., by discarding antiquated plants and adopting newest types and methods. Provision for this ought and should be made by depreciating old appliances in such a manner as will reduce them to a reasonably low figure, so that the inevitable loss by replacement shall not prove too serious a shock to the finances of any current going concern.

There are, without doubt, an immense number of concerns now working under great disadvantage by reason of inadequate provision made in the past, and who now cannot bear the strain of thorough reorganisation to meet current competition successfully. Upon whom does the responsibility for this state of things rest?

It is well known that, during the present boom in the cotton trade, scores of huge new mills have been and are still being erected, and equipped with every kno-

improvement and labour-saving device. When the trade reverts to its normal condition it is reasonable to suppose that the old mills, representing many millions sterling in their latest Balance Sheets, will find it most difficult, if not impossible, to compete with the new order of things. The argument applies with equal force to other trades which will occur to your readers. I repeat my opinion, that the only safe method of arriving at the actual value is by a periodical inspection by an independent expert, and this is borne out by the increasing number of important firms who have adopted it.

"The old order changeth"; and this fact can appeal to none with greater force than to the professional accountant, who is practically the keeper of the nation's purse, so far as it relates to industrial concerns

I am, faithfully yours,

HY. SHERLEY-PRICE.

London, 25th June 1907.

Nottingham Chartered Accountants Students' Society.

THE fifth annual general meeting of the Society was held at Croshaw's Café, Angel Row, Nottingham, on Monday, 17th June 1907, at 6.45 p.m. Mr. T. G. Mellors, F.C.A. (President of the Society), occupied the chair.

The following are the

REPORT AND ACCOUNTS.

The Committee have much pleasure in presenting to the members their fifth annual report.

Membership.

At the commencement of the year the membership of the Society consisted of 26 honorary and 50 ordinary members. During the year five members have resigned, and seven new members have been admitted; two ordinary members have become honorary. Accordingly the Society now consists of 28 honorary and 50 ordinary.

The Committee deeply regret the deaths of Messrs. L. P. Calvert and C. J. Suffolk, which have taken place during the year.

It may be added that, as far as students alone are concerned, the membership of the Society may be said to have almost reached its maximum, since the tuition scheme arrangements now compulsorily include all new students, and the majority of those articled before those rules came into force have passed their final examination.

Meetings.

The following meetings have been held during the year:—

1906.

June 15.—Fourth Annual General Meeting. Chairman, Mr. W. Gath, F.C.A. Attendance, 21.

Oct. 11.—Fifth Annual Dinner and presentation of prizes to Messrs. A. B. Ward and H. G. Howitt in connection with tuition scheme classes. Chairman, Mr. T. G. Mellors, F.C.A. (President of the Society). Attendance, 26.

Nov. 8.—Inter-debate with London Society at Nottingham. Subject, "That it is both desirable and necessary for the existing income-tax procedure to be amended as follows:—

(*a*) The application of three years' averages system to all classes of income.

(*b*) The allowance for depreciation to be a compulsory instead of a discretionary deduction, and to be calculated at uniform rates upon original values.

(*c*) The certification by qualified accountants of all returns exceeding £500."

Affirmative, Nottingham.

Negative, London.

The voting was as follows:—

(*a*) Negative, 10—6.

(*b*) Affirmative, 14—5.

(*c*) Negative, 12—8.

Chairman, Mr. E. Huntsman. Attendance, 17.

" 16.—Lecture: "Percentage Statements of Cost as applied to Various Businesses." By Mr. W. H. Fox, F.C.A. Chairman, Mr. T. G. Mellors, F.C.A. Attendance, 32.

Dec. 12.—Inter-debate with Sheffield Society at Sheffield. Subject as before. The Nottingham Society this time took the negative, and were represented by Messrs. E. H. Palmer, A.C.A., D. S. Cowley, A.C.A., E. J. Sutton, and J. L. Milligan. The voting was as follows:—

(*a*) Affirmative, 10—9.

(*b*) Affirmative, 12—7.

(*c*) Negative, 11—10.

1907.

Jan. 7.—Lecture: "Depreciation, with special reference to the Accounts of Local Authorities." By Professor L. R. Dicksee, F.C.A. Chairman, Mr. S. P. Derbyshire, F.C.A. Attendance, 28.

Feb. 12.—Ten-minute Papers:—

"The Preparation of Company Accounts for Income-tax Purposes." Mr. D. S. Cowley, A.C.A.

"The Abuses of Limited Liability." Mr. F. B. Sharp, A.C.A.

"The Metric System." Mr. J. L. Milligan.

Chairman, Mr. W. R. Hamilton, F.C.A. Attendance, 8.

Mar. 8.—Lecture: "Practical Hints on Vouching." By Mr. H. Lanham, A.C.A. Chairman, Mr. A. Durose, F.C.A. Attendance, 31.

It will be noticed that the average attendance at lectures thus works out at 30, nearly all of whom were students. This average, however, does not include debates, at which the attendances were not so good, and it is sincerely hoped that more interest will in future be taken in this class of meeting.

During the year four Committee meetings have been held, at which the average attendance has been five.

Examinations.

The following members of the Society have passed the Examinations of the Institute during the year:—

Intermediate:—

May 1906—C. J. Suffolk, E. J. Sutton.
November 1906—C. C. Richards.

Final:—

May 1906—F. B. Sharp, G. F. Lings, L. A. Reddall.
November 1906—S. A. Wallis.

Tuition Scheme.

The Tuition Scheme has been supervised as heretofore by the senior Society, who have lately appointed a special Sub-Committee to deal with the matter for the future. The number of lectures given during the two sessions has been 33, and out of 24 students who have been under articles for the whole period the average attendance at each class has been 18.

It is felt that these classes are doing excellent work, and the best thanks of students are due to the two lecturers, Messrs. C. J. Pain and E. Huntsman, for their services, and also to the senior Society for its supervision.

Union of Chartered Accountant Student Societies.

The attention of the Working Union during the year has been principally directed towards an endeavour to obtain from the Institute grants towards the funds of the various Student Societies. Members will probably have noticed that at the Annual Meeting of the Institute held last month Mr. A. F. Dodd, F.C.A. (Chairman of the Working Union) proposed that the surplus of the fees of the examinations over the expenses of same should be used for this purpose. The Council of the Institute expressed themselves as anxious to help the Students' Societies in this or in any other way, provided that the students would help themselves as far as lay in their own power. This principally refers as to attendances at meetings and the use of the Library, and it is therefore hoped that students will do all they can to further these ends.

Library.

During the year a grant has been obtained from the senior Society out of the funds of the Tuition Scheme, and expended in the purchase of new books. This has greatly helped to put the Library on a better footing, and it is hoped that the grant may become a regular one, and will shortly enable the requirements of members to be more fully met.

Officers.

In accordance with the rules of the Society the whole of its officers retire and are eligible for re-election, with the exception of Messrs. C. J. Pain, A.C.A., S. Danby, A.C.A., and F. G. Graham, who are not eligible for re-election to the Committee.

On behalf of the Committee,

C. J. PAIN, *Chairman.*
H. G. HOWITT, *Hon. Secretary.*

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended March 31st 1907. *Cr.*

	£	s	d
To Printing and Stationery	3	6	3
" Sundry Expenses	1	4	0
" Postages	0	11	10
" Loss on Dinner	3	3	9
" Working Union Levy	1	18	0
" Prizes to Students, less Donations	1	0	0
" Travelling Expenses of Lecturers	2	18	0
" Expenses of Members to Debate at Sheffield	1	12	1
" Assistant Librarian	1	1	0
" Balance of Library written off	2	13	3
	£19	8	2

	£	s	d
By Subscriptions— 27 Honorary, and 48 Ordinary, less amount written off	17	17	6
" Balance, being excess of Expenditure over Income	1	10	8
	£19	8	2

BALANCE SHEET, March 31st 1907.

Liabilities.	£ s d	£ s d
Sundry Creditors	.. ..	1 15 0
Grant from Nottingham Society of Chartered Accountants	10 10 0	
Deduct Amount Expended on Library during year	9 6 3	
		1 3 9
Income and Expenditure Account—		
Balance as per last Account	20 19 10	
Deduct Balance as per Income and Expenditure Account	1 10 8	
		19 9 2
		£22 7 11

Assets.	£ s d	£ s d
Library, as per last Account	2 13 3	
Less Amount written off	2 13 3	
Cash at Bankers		14 7 11
Subscriptions outstanding		8 0 0
		£22 7 11

A. J. HAYWARD, *Hon. Treasurer.*

We have examined the foregoing Accounts with the Books and Vouchers of the Nottingham Chartered Accountants Students' Society, and certify the same to be in accordance therewith.

Dated this 4th day of June 1907.

(Signed) ARTHUR F. HEYNES, J. L. MILLIGAN } *Hon. Auditors.*

The adoption of the report and accounts was moved by the Chairman, and seconded by Mr. C. J. Pain, A.C.A. (Chairman of Committee).

The officers and Committee elected for the ensuing year were as follow:—

President.—Mr. A. Durose, F.C.A.

Vice-Presidents.—Messrs. T. G. Mellors, F.C.A., Wm. R. Hamilton, F.C.A., W. Gath, F.C.A., and J. N. Derbyshire, F.C.A.

Committee.—Messrs. D. S. Cowley, A.C.A. (Hon. Treasurer), R. G. Cairns (Hon. Librarian), H. G. Howitt (Hon. Secretary), A. J. Hayward, A.C.A., F. B. Sharp, A.C.A., C. F. N. Gibbons, W. J. P. Bennett, A. B. Ward, E. J. Sutton, J. L. Milligan.

Hon. Auditors.—Messrs. A. F. Heynes, and J. Finn.

Representative of the Society on the Working Union.—Mr. E. H. Palmer, A.C.A.

A hearty vote of thanks was passed to Mr. Pain on his retirement from the Committee for all his services in the past in the inauguration and carrying on of the Society.

The following votes of thanks were also heartily passed:—

To Messrs. Mellors, Basden & Mellors for the use of their board room during the past year for meetings of the Society.

To Mr. T. G. Mellors himself for having acted as Chairman on this occasion, and for his hospitality; and also for having so ably filled the office of President of the Society during the whole of the past year.

Birmingham and Midland Society of Chartered Accountants.

Twenty-Fifth Annual Meeting.

THE twenty-fifth annual general meeting of the above Society was held at the Branch Library of the Institute, 8 Newhall Street, Birmingham, on the 31st May 1907.

There were present Mr. Howard Heaton (President) in the chair), Messrs. W. E. Alldritt, W. Charlton, O. H. Caldicott, J. W. G. Hill, R. L. Impey, H. T. Ledsam, H. A. Pepper, A. T. Powell, H. S. Smith, and A. J. West (Secretary).

Apologies for absence were received from Sir Walter N. Fisher, Messrs. A. H. Gibson, G. C. T. Parsons, E. M. Carter, Allen Edwards, J. E. Rubery, Arthur Short, and Chas. C. Smith.

The minutes of the annual meeting held 14th June 1906 were read, confirmed, and signed.

The following annual report of the Council, and the statement of accounts, were then read:—

The Council has to report that the membership of the Society on the 31st March 1907 was 111, as against 115 on 31st March 1906.

The following table will show the attendances at the Library and the issue of books during the year:—

Month	No. of Attendances	No. of Issues of Books
1906		
April	203	19
May	186	22
June	156	15
July	139	22
August	111	21
September	224	22
October	508	22
November	366	28
December	208	21
1907		
January	224	13
February	326	16
March	307	22
Totals	2,958	243
Preceding year	2,752	264

The Library has been used during the year for the following meetings, in addition to the meetings of the Council:—

Thirteen meetings for lectures, &c., of the Birmingham Chartered Accountant Students' Society.

Seven meetings of the Committee of the Students' Society.

Annual meeting of the Students' Society.

There have been added to the Library during the past year sixteen new books, a large number of trading and other reports and accounts, prospectuses, Parliamentary and other reports, statutes, lectures, papers, &c.

Amongst the new books are the following:—

"Chartered Accountants' Charges," Pixley, 3rd Edition.

"Encyclopædia of Accounting," "Forms" Vol. VII.

"Reports of Tax Cases," Vols. I.-IV.

"Stock Exchange Official Intelligence," 1907.

"The Accountants' Library," Vols. XLIV.-XLVI.

Mr. G. C. T. Parsons has been elected a member of the Council to fill the vacancy caused by the death of Mr. E. M. Sharp.

Mr. Allen Edwards, who has been a member of the Council and Hon. Librarian for over twenty years, has resigned his position. The Council desire to record their high appreciation of the invaluable services rendered by Mr. Edwards during his long period of office. Mr. J. W. G. Hill, of the firm of Messrs. Abbott, Deeley, Hill & Co., has been appointed to fill the vacancy.

The Council acknowledge the receipt of a portrait of the late Mr. C. A. Harrison, a Past-President of the Council of this Society, which has been presented by Messrs. Harrison, West, Ledsam & Co.

Institute Examination—Local Successes.

At the Preliminary Examination of the Institute held in June 1906 Mr. H. T. Marsh was 6th in order of merit, and Mr. R. H. Wynn 10th in order of merit, and at the Preliminary Examination held in December 1906 Mr. H. F. Hawley was 1st in order of merit and obtained the Institute prize, and Mr. F. P. Turville was 6th in order of merit.

At the Intermediate Examination held in May 1906 Mr. B. H. Brigham was 2nd in order of merit, obtaining the Robert Fletcher prize, and at the Intermediate Examination held in November 1906 Mr. R. H. Johnston was 7th in order of merit.

At the Final Examination held in May 1906 Mr. C. Judson was 10th in order of merit, and at the Final Examination held in November 1906 Mr. F. W. Carder was 1st in order of merit and gained the Institute prize, and Mr. C. F. Bristol was second in order of merit.

The classes for the tuition of articled clerks have comprised four courses of twenty lectures each—one course for the Intermediate and one for the Final in law, and one course for the Intermediate and one for the Final in accounting. Dr. D. F. de l'Hoste Ranking was reappointed lecturer to the law classes, Mr. W. H. Lovatt, A.C.A., of Birmingham, lecturer for the Intermediate Examinations in accounting, and Mr. S. S. Dawson, F.C.A., of Liverpool, lecturer for the Final Examinations in accounting.

The Council have arranged for the classes to be continued under the supervision of the same lecturers, and it is hoped that more general support will be accorded in future both by principals and articled clerks, as the classes are now carried on at considerable expense to the Society.

The attention of the Council has been directed to the desirability of obtaining an increase in the number of subscriptions to the Chartered Accountants' Benevolent Association. The Report and Accounts presented to the Annual General Meeting indicate the pressing necessity for an increased income, and the Council earnestly appeal to members of this Society to afford the Association further support.

The accounts of the Society, which have been duly audited, show a balance of income over expenditure, but this is subject to any deficiency arising in connection with the students' tuition classes. It should also be stated that the receipts from rents for occupation of the Library for the purpose of lectures will be considerably reduced as from Lady Day last.

The following members of the Council retire, but are eligible for re-election:—Sir Walter N. Fisher, Mr. A. T. Powell, Mr. Howard S. Smith, Mr. A. J. West.

Dr. REVENUE ACCOUNT from 1st April 1906 to 31st March 1907. *Cr.*

	£ s d	£ s d
To Expenses of Library, viz.:—		
Rent, Rates, Electric Light, Coal, and Insurance, less Rents received	42 5 10	
Curator's Salary	82 4 0	
New Books	9 4 5	
Periodicals and Bookbinding	7 1 10	
Painting	9 18 9	
Cleaning	21 2 8	
Postages	4 16 0	
Repairs	1 2 6	
Incidentals (including Advertising)	5 18 1	
Depreciation	17 14 0	
		201 8 1
" Bank Charges		1 7 0
" General Stationery and Printing		14 14 1
" Grant to Tuition Scheme		25 0 0
		242 9 2
" Balance, being excess of Income over Expenditure		41 3 10
		£283 13 0

	£ s d	£ s d
By Subscriptions, viz.:—		
Arrears from previous year	1 1 0	
112 Members at £1 1s. each	117 12 0	
		118 13 0
" Annual Contribution from Institute of Chartered Accountants		100 0 0
" Annual Contribution from Birmingham Chartered Accountant Students' Society		65 0 0
		£283 13 0

BALANCE SHEET, 31st March 1907.

Liabilities.	£ s d	£ s d
Amount due to Sundry Creditors		43 11 1
Subscriptions paid in advance		2 2 0
Revenue Account, viz.:—		
Balance, 31st March 1906	172 0 5	
Add Excess of Income over Expenditure for the year ended 31st March 1907	41 3 10	
		213 4 3
		£258 17 4

Note.—Subject to Contingent Liability for any deficiency in connection with the Students' Tuition Classes.

Assets.	£ s d	£ s d
Amount due for Rent of Library		20 0 0
Institute of Chartered Accountants, One Quarter's Contribution		25 0 0
Birmingham Chartered Accountant Students' Society, Half-year's Contribution		32 10 0
Cash in hands of Librarian		0 10 0
National Provincial Bank of England		21 11 4
Library Furniture and Fittings, 31st March 1906	£177 0 0	
Less 10% Depreciation	17 14 0	
		159 6 0
(The Books in the Library are not valued herein)		
		£258 17 4

A. T. POWELL, *Treasurer.*

We have examined the above Balance Sheet with the Books and Vouchers of the Society, in our opinion it is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, as shown by the Books of the Society, and we hereby certify that all our requirements as Auditors have been complied with.

23rd May 1907.

THOS. E. KIMBERLEY, ARTHUR SHORT } *Hon. Auditors.*
Chartered Accountants.

It was moved by the President, seconded by Mr. R. L. Impey, and resolved, that the report and statement of accounts be received and approved.

Scrutineers' Report to the Council Birmingham and Midland Society of Chartered Accountants.

We beg to report that the following are duly elected to serve on the Council for the ensuing year:—

Sir Walter N. Fisher, Mr. A. T. Powell, Mr. Howard S. Smith, Mr. A. J. West.

(Signed) THOS. E. KIMBERLEY
(Signed) ARTHUR SHORT } *Scrutineers.*

May 27th 1907.

The Scrutineers' Report having been read, it was moved by the President, seconded by Mr. H. S. Smith, and resolved, that the report of the scrutineers be received and entered on the minutes, and that the best thanks of this meeting be presented to them for their services as auditors and scrutineers.

It was moved by the President, seconded by Mr. O. H. Caldicott, and resolved, that Mr. T. E. Kimberley and Mr. Arthur Short be appointed auditors and scrutineers for the ensuing year.

It was moved by Mr. H. T. Ledsam, seconded by Mr. H. A. Pepper, and resolved, that the best thanks of the Society be presented to the President, Council, and officers for their services during the past year.

It was moved by Mr. W. E. Alldritt, and passed unanimously, that the best thanks of the meeting be given to the President for his conduct in the chair.

The following officers were appointed at a meeting of Council held on 31st May 1907:—

President: Mr. A. T. Powell.

Vice-President: Mr. A. J. West.

Hon. Secretary: Mr. A. J. West.

Hon. Librarian: Mr. Walter Charlton.

Hon. Treasurer: Mr. Howard Heaton.

Personal.

MR. W. J. CALDER, Chartered Accountant, announces that he has removed from 30 Brewer Street, Regent Street, to Piccadilly House, 40 Sackville Street, London, W.

MR. C. F. CAPE, F.C.A., announces that in future his business will be carried on under the name and style of CHARLES F. CAPE & CO., at No. 12 Coleman Street, E.C., instead of at 58 Moorgate Street.

MR. GEORGE GRADON, F.S.A.A., announces that the partnership business carried on at 19 & 20 Union Bank Buildings, Holborn Circus, by Mr. WILSON WRIGHT and himself under the style of WRIGHT, GRADON & CO., has been dissolved by effluxion of time. Mr. GRADON has opened offices at Eldon Buildings, Eldon Street, London, E.C., under the style of GEORGE GRADON & CO. Mr. WRIGHT will continue to practise at 19 & 20 Union Bank Buildings, Holborn Circus, E.C., under the style of WILSON, WRIGHT & CO.

MESSRS. HADFIELD, RIDDELL & CO., Chartered Accountants, have removed from George Street to 18 York Street, Sheffield.

MESSRS. KEVANS & SON, Chartered Accountants, have removed from 22 Dame Street, to the Caledonian Insurance Company's Buildings, 31 Dame Street, Dublin.

MR. RICHARD A. WITTY, A.S.A.A., has removed from 17/18 Basinghall Street, to 6 Dowgate Hill, Cannon Street, E.C.

Failures and Bills of Sale in England and Wales.

ACCORDING to *Kemp's Mercantile Gazette*, the total number of commercial failures recorded in England and Wales during the week ending Friday, June 21st, was 165, viz.:—New Bankruptcy Proceedings published in the *London Gazette*, 92; Deeds of Arrangement registered, 73. The respective numbers in the corresponding week of last year were: Bankruptcies, 88; Deeds of Arrangement, 90—total, 178; being a decrease of 13. The total number of commercial failures recorded during the 25 weeks of the present year is 3,858; the total number recorded in the corresponding 25 weeks of last year was 4,170, showing a decrease of 312.

The number of Bills of Sale, including Re-registrations, filed in England and Wales for the week ending Friday, June 21st, was 149. The number in the corresponding week of last year was 137, showing an increase of 12. The total number filed during the 25 weeks of the present year is 3,740; the total number filed in the corresponding 25 weeks of last year was 3,739, showing an increase of 1.

Debentures.

The Mortgages and Charges registered by limited companies in England and Wales during the week ending Friday, June 21st, amounted to £4,378,255, by way of addition to £1,132,482, previously issued by the same companies. The amount registered in the corresponding week of last year was £1,246,127, showing an increase of £3,132,128. The total amount registered during the 25 weeks of the present year is £52,437,921 (in addition to the issues in previous years by the same companies), as compared with £40,821,816 for the corresponding 25 weeks in 1906, showing an increase of £11,616,105.

The Profession in Scotland.

Glasgow Chartered Accountants Students' Society.

The Accountant as an Expert Witness.

By ALEX. MOORE, Junr., C.A.

A MEETING of the members of this Society was held in the Institute, 218 St. Vincent Street, on Thursday, 24th January 1907, Mr. Peter Rintoul, C.A., one of the Hon. Vice-Presidents in the chair. There was a large attendance of members. Mr. Alex. Moore, Junr., C.A., delivered the following lecture on "The Accountant as an Expert Witness."

An expert witness has been defined as one who, by virtue of special acquired knowledge or experience on a subject presumably not within the knowledge of men generally

may testify in a Court of Justice to matters of opinion thereon, as distinguished from ordinary witnesses, who can testify only to facts. To the accountant as an expert witness a somewhat fuller definition is applicable, the value of his knowledge or experience being available not only to testify to matters of opinion, but to assist the Court to a proper understanding of the facts when these are embodied in figures and accounts. The importance of this branch of the accountant profession has long been recognised, and we have this illustrated in one of the earliest records of the profession in our own city. In 1824 a young accountant, who was some thirty years later destined to be the first President of our Institute, commenced business in Glasgow, and issued a circular detailing the various classes of work which he was prepared to undertake. These included "the making up of Statements, "Reports, and Memorials on Account Books, on disputed "Accounts, and Claims for the purpose of laying before "Arbiters, Courts, or Counsel."

As you are aware, our Institute was incorporated by Royal Charter in the year 1855. The petition of the forty-nine members of the "Institute of Accountants of Glasgow," and other accountants in Glasgow, in response to which the Royal Warrant was granted, after calling attention to the fact "that the profession of an accountant "has long existed in Scotland as a distinct profession of "great respectability," "that the profession in Glasgow "embraces a numerous as well as highly respectable body "of persons," and "that the business of an accountant "requires for the proper prosecution of it considerable and "varied attainments," proceeds to refer in detail to the nature of the various branches of the business undertaken by the members of the profession. Amongst these it is noted "that accountants are frequently employed by Courts "of Law, both the Sheriff Courts and the Courts of "Session, which is the supreme Civil Tribunal in Scot-"land, to aid those Courts in their investigation of matters "of accounting, which involve, to a greater or less extent, "points of law of more or less difficulty." In somewhat similar terms the petition of the Society of Accountants in Edinburgh a few months before had stated "that in the "extrication of those numerous suits before the Court of "Session, which involve directly and indirectly matters of "accounting, an accountant is almost invariably employed "by the Court to aid in eliciting the truth."

This employment indicated in those petitions may be exercised directly by instruction of the Court in the form of a remit to the accountant, under which he is called upon to report on a given matter, with a view to assisting the Court in arriving at a judgment on points more easily comprehended by a mind trained and accustomed to deal with questions affecting figures than the more judicially trained mind on the Bench. On the other hand, the employment may come from either or both of the parties interested in a disputed matter, in order that their views of the question in so far as regards its accounting aspect may be put before the Court in the clearest possible manner.

You will observe that in the Edinburgh petition the only Court of Law mentioned is the Court of Session, whilst Glasgow also refers to the Sheriff Courts. There are, however, other tribunals which call for the assistance of the professional accountant, perhaps even to a greater extent —in Glasgow, at any rate—than either the Court of Session or the Sheriff Courts. A large proportion of the disputes arising in connection with commercial affairs are submitted for settlement to Courts of Arbitration, and these submissions are augmented by the operation of the Lands Clauses and the Railway Clauses Acts.

By these Acts there was created a uniform system for dealing with the requirements arising from the development of the country through railways and other public works, which necessitated the acquirement of lands and individual interests and properties by compulsory powers. To secure an equitable compensation to parties affected by the exercise of these compulsory powers, special provisions were made for having the matter dealt with by arbitration, or by a jury under the presidency of the Sheriff, and in practice the former method is more usually adopted. The accountant, as an expert witness, is also frequently called to give evidence before Parliamentary Committees considering Bills before the House, and before the Railway and Canal Commissioners, to whom it falls to determine questions involving the relative rights of traders and of the railway companies in regard to traffic facilities, rates, &c.

Whilst the principal employment of the accountant as an expert witness is to be found in connection with civil cases, his services are also requisitioned from time to time in criminal cases, either to assist the Public Prosecutor in the preparation of the indictment, or to give evidence for the prosecution or for the defence.

There is probably no branch of our profession where the practitioner has more scope for his individual skill, and in regard to which a more varied method of procedure is required, than that which covers the work falling to be done in connection with matters in Court. In consequence it is a branch of work for the prosecution of which little can be learned from text-books, and in the practice of which it is almost impossible to lay down rules for guidance. I will endeavour, however, to indicate some of the methods to be adopted in dealing with the questions that often arise, and to give a few hints which may be of

assistance to those who have not as yet had any experience in this class of work.

Let us look first at the nature of the work involved, and, before going on to the more extensive sphere covered by arbitrations and civil cases in the Sheriff and Supreme Courts, I would call your attention to the position of the accountant in criminal cases. When his services are required in such cases the charge is usually one of fraud in some form or another, probably arising from the falsification of entries in books, accounts, or Balance Sheets, so as to give a fictitious view of the financial position. The objects to be gained by the fraud may be varied in their character, and, whilst the fictitious nature of the entries may sometimes be very evident, it may not be so easy to fix or determine the fraudulent intention, and to do so may require a searching inquiry into and tracing out of transactions and entries. A frequent instance of criminal fraud is that of a cashier, bookkeeper, or other servant, perpetrated to conceal from his employer the misappropriation of cash, and in such a case the accountant will probably be called in by the employer, or, as unfortunately too often happens, he may be the first to discover the fraud in the course of an audit. It may, however, be a more extensive charge involving prosecution of directors and officials of companies in respect of the methods adopted or approved by them, which may have been calculated to deceive their shareholders or creditors, or to induce the public to subscribe for shares. In this case the accountant will probably receive his instructions from the Public Prosecutor to examine the books or accounts, and to advise him as to what entries are improper or out of order, and what effect these may have had on information supplied or business transacted on the strength of their being correct. I cannot better illustrate the requirements of cases of this type than by a short reference to two of the most important criminal trials in Scotland within comparatively recent years—viz., those of the City of Glasgow Bank directors and of the Brothers Pattison, of Leith. In the former of these, the charges on which the directors were tried had been drawn up under the supervision of a leading member of our Institute, and the preparation involved a careful and intricate examination of numerous books and documents. The principal charge, of which two of the directors were ultimately found guilty, was that of "falsification of "Balance Sheets for the purpose of concealing and mis-"representing the true state of the company's affairs, with "intent to defraud." And there was a second charge of "feloniously using and uttering the same as true, with "intent to defraud." The other directors were found guilty of the second count only, that of "using and uttering." In this case the falsification of the Balance Sheets was evident, as the original drafts were recovered with the alterations noted thereon. It required, however, an expert on figures and accounts to unravel the history and ascertain the effect of the alterations made on the figures, and to put it clearly and plainly before the Court and jury.

In the Pattison case, there were four different charges, on all of which the elder brother was convicted, and the younger brother on two of them. The first was that of "forming a fraudulent scheme to sell their business, and "for this purpose omitting from the books entries for goods "purchased to the credit of parties, although the goods "were taken into stock; taking credit for sales without "debiting Joint Account; entering sales twice, thereby "increasing the apparent profits and inducing a false "certificate." The second charge dealt with the improper application of the proceeds of certain promissory notes discounted with the company's bankers. The third was that of "putting forth fictitious Balance Sheets and Profit "and Loss Accounts whilst acting as managing directors of "the company, this being effected by over-valuation of "stocks"; and the last charge dealt with the failure to apply the proceeds of a sale of goods on a Joint Account, to the detriment of the joint adventurer. There were, of course, important questions of law as to the criminal effect of the acts complained of and as to the incidence of responsibility therefor. Before this point was reached, however, there had to be a careful ascertainment of the facts, and of the apparent intention and result of the omissions or misrepresentations as disclosed by the books or documents of the company. This entailed a lengthy and exhaustive examination, such as could only be undertaken by a professional man thoroughly versed in accounting transactions, and, in framing the indictment and preparing for the trial, the Public Prosecutor had the assistance of an experienced member of the Edinburgh Society of Accountants. The fraud or falsification and its effects were not so evident in this case as in that of the City Bank, and there appeared room for a reasonable defence based upon the books. This gave further opportunity for the employment of professional accountants on behalf of the Pattisons. These accountants made an extended examination of the books, and prepared therefrom statements in regard to further entries in an effort to eliminate the fraudulent character from the omissions and errors stated in the indictment. They failed, however, to convince the jury.

The widest sphere of work for the accountant as an expert witness is not, however, in criminal cases, but in civil cases and arbitrations. The matters in dispute submitted to arbitration, in regard to which points involving items of accounting arise, and the civil cases in the Sheriff or Supreme Courts, which may require the assistance of a professional accountant, are so similar in character that

we may consider them together. They are usually questions affecting the correctness or otherwise of the application of figures in accounts, or the principle adopted in the application; questions as to the method of accounting under which the profit or loss arising from a business, adventure, or other commercial transaction is ascertained; and questions with respect to valuations of goodwill or of shares in a limited company.

The disputes giving rise to the litigation may originate between partners in a firm, or between the parties to an agreement, or who are interested in a joint adventure or transaction, or they may follow upon the death of a partner, entailing an accounting with executors or beneficiaries. For those cases in which the question of valuation or of trading results are raised the exercise of compulsory powers of acquiral under an Act of Parliament is largely responsible, supplemented by claims for damages to person or property, such as arise from temporary or permanent disablement, or injury from accident, the responsibility for which rests with a railway company, local authority, or other outside party. Still another source of litigation requiring the accountant's assistance has been brought into existence through the operation of the Companies Acts. These Acts have been described as the accountant's friend, and in his position as an expert witness they have not failed him. By the 162nd Section of the 1862 Act it is provided that, in the event of an agreement not being arrived at between the parties, the price to be paid to a dissentient member of a company which is being sold under liquidation for a consideration other than cash shall be settled by arbitration. In private companies the price of shares offered for sale often falls to be similarly determined, and where rights of pre-emption in favour of directors or other specified individuals exist, the price is not infrequently a matter of dispute only settled finally by arbitration or after litigation in the Courts. Again, it sometimes happens that the shareholders of an unsuccessful company hold the opinion that the directors, and it may even be the auditors, are legally responsible for the position of affairs, or in some other way have acted improperly in connection with the company's business, and they forthwith institute proceedings for compensation for the loss which they claim to have sustained. In actions such as these the questions involved are generally in reference to the method of application of figures, entailing a corresponding investigation of books and accounts, for which the services of one or more members of our profession are rendered imperative.

In dealing with disputes arising in partnership or joint adventure accounts there is generally at the disposal of the accountant information of a more or less satisfactory character as to the various items involved in the accounting, the question for consideration being rather as to the proper application of these, and the consequent result thereof in the accounting between the parties. The correct interpretation to be put upon the terms of an agreement or a contract of co-partnery may be the determining factor, or it may involve questions as to the usual practice adopted in treating certain items, and in this latter case particularly the experience of the accountant in matters of a similar character is of no little value to the Court. In joint adventure accounts, where the profit has to be ascertained in circumstances involving an allocation of certain of the charges of a business, or of the costs of manufacture, some very interesting problems in accounting may fall to be solved by the professional investigator. An instance of joint adventure in which such questions frequently arise is that of a patentee for an improvement in manufacture, or for a process for utilising bye-products, who is entitled to a share of the benefit of the economies, or of the additional profit arising therefrom. Here it may be necessary to analyse the different Cost Accounts, with a view to fixing the allocation of the profit as between different periods of a continuous manufacturing process. In accounts of this type the accountant may also have to fix the charges to be made against the joint adventure for the services rendered by one or other of the parties in connection therewith.

Differences of opinion at the dissolution of a co-partnery, particularly when the partners have ceased for some time to work harmoniously, or when the accounting has to be taken with the representatives of a deceased partner, are very often due to a somewhat lax method of preparing the Balance Sheets during the existence of the co-partnery, and to the accountant may fall the task of reframing and amending these.

In all cases affecting methods or principles of accounting the professional accountant, having advised himself as to the individual points or items in dispute, will apply his mind, in the first place, to consideration of the proper method of dealing with them, in view of the terms of the agreement or contract, or, in the absence of any such, in accordance with his experience on similar questions. For this purpose it may be necessary to make an examination into the procedure adopted in former accounts between the parties, where such exist, and to go minutely into the details of the accounts. He should proceed with his examination without considering whether the result will be favourable to the one party or to the other, and endeavour to keep his mind as free as possible from bias. If he is employed by one only of the parties to a dispute, he should, when his investigation has proceeded far enough,

if he is of opinion that his report is not likely to be favourable to the view taken by his client, at once lay his conclusions before him, that he may have an opportunity of reconsidering his position.

In dealing with questions respecting the valuation of a goodwill there is great room for diversity of opinion. The accountant called upon to indicate his views, or to fix a valuation, should proceed by collecting such particulars ascertainable from the books, accounts, and other available sources as he may deem necessary or helpful in assisting him to arrive at a basis for the valuation, and bring these together in such a form as will enable him to consider their bearing upon the business falling to be dealt with. Thereafter, having determined upon the principle which he proposes to adopt in making his valuation, he will proceed to apply it to the figures and facts which he has ascertained. The main factor to be taken into consideration is usually, of course, the past results of the trading, taken along with the capital employed, but there are in every business circumstances, differing in almost every instance, which may affect the value of the goodwill. Amongst these are matters bearing upon the permanence of the business, its locality or situation, special facilties of one kind or another which may exist, the effect to it of change in the management or in the co-partnery interests, the right to a name or a trade designation, the possibilities of competition from a retiring partner, and many others which will doubtless occur to you. The accountant who is asked to give his expert opinion on this question of goodwill value must get all the trustworthy information he can on such points, and give them careful consideration in resolving upon the principle or on the basis to be adopted in stating his views of the valuation. It may be that an accountant has knowledge of facts which may affect the value of a goodwill, and which he may purposely ignore, in order that he may arrive at a figure more favourable to his client, and he may even go into the witness-box and endeavour to maintain his valuation. This is a course to be condemned, and, when followed, is more likely to do his client's cause harm rather than good, and is calculated to discount the whole evidence of the witness. An instance came under my own cognisance in an action involving a question of valuation where an accountant witness for one of the parties based his estimate on certain ascertained profits in a manufacturing business without allowing any deduction or provision for depreciation of plant and machinery. This was made evident to the Court, and the Lord Ordinary, in his note on his interlocutor, referred to the evidence of this witness as "of no value."

In cases arising under the Lands Clauses, Railway Clauses, and similar Acts, and in questions as to loss sustained to person or to property, there is plenty of scope for the accountant to exercise his professional skill. Here, again, the question of goodwill value often enters largely, especially where it can be shown, in the case of a compulsory removal, that locality is of importance, or, in cases of personal injury, that the earning power is affected by the individual element. Claims falling under this class may embrace such further matters as loss arising through forced realisation of stock or other assets, expenses involved by the removal, and the temporary or permanent reduction of profits. The goodwill may, indeed, be purely prospective in its character, and there may have been no actual earnings in the past, but a future value may be affected by the compulsory sale of the land or property. In ascertaining such a prospective value the knowledge and experience of the accountant may be of material assistance.

In many businesses affected by claims for damages or loss, the possibility of such a claim arising has not been foreseen, and there has been no proper method adopted for keeping authentic records of the business done or profits earned, or where such may have existed they have not been preserved, excepting perhaps some of very recent date; or it may be that the principal books or accounts have been retained, but not the detailed statements on which the results have been based (such, for instance, as Stock Sheets), and in consequence verification of these results is rendered difficult, if not impossible. Again, it may be that the business affected is only a branch or department of a larger concern, or it may be worked in conjunction with other premises and the accounting not kept distinct. In circumstances such as these it falls to the lot of the accountant to collect all available material and extract therefrom what may be of service to him, not merely in showing the results of the trading, but in proving, so far as possible, the correctness of his statements in reference thereto. From this material, however unpromising, he is expected to make up accounts which will show as correctly as possible what the business, or that portion of it carried on in the particular premises involved, is capable of earning, and how it may be affected by the change which is being forced upon it, or the damage which it has sustained. Towards attaining this object a Bank Account is often useful in the absence of more complete information. I have seen a copy of a Bank Account and the production of a few share certificates prove sufficient to show satisfactorily the financial abilities of a business. The drawings were practically cash only, and were lodged regularly in the bank, whilst all purchases, with a few trifling exceptions, were paid by cheque. Thus, it having been admitted that the fluctuations in the value of the stock could not be very material over a

number of years, the Bank Account was really an embodiment of the trading profits, subject to a satisfactory accounting for those sums drawn which were not applied in payments of business claims. The proprietor of the business was in the habit of taking a fixed sum each week from the cash drawings, before lodgment in the bank, to meet his living expenses and personal requirements. The amount claimed for this purpose was shown to be a reasonable one in the circumstances in which he lived, and, the whole remaining sums drawn from the bank having been accurately accounted for by the investments represented by the share certificates produced, the profits were accepted by the Court as represented by the stated weekly personal drawings added to the invested amounts. Even the bank, however, sometimes fails to fill sufficiently a blank in the chain of evidence, and it becomes necessary to obtain copies of their accounts from creditors from whom purchases have been made, or from other parties with whom there have been business transactions.

Such sources of information as these are not always available for the accountant acting on behalf of the party against whom the claim is made, and his position then becomes more that of a critic to challenge the methods adopted in arriving at the results claimed, and, if possible, to prove the unlikelihood or absolute impossibility of their having been attained. He will therefore probably direct his attention specially to see that no possible proper charge against the trading has been omitted, and to collect such evidence as he can as to the correctness or otherwise of the charges made for costs of production or sale.

In an arbitration a few years ago, in which the Glasgow Corporation was interested, the amount of the net earnings claimed depended almost entirely upon the amount of gross profit upon the goods sold, there being ample evidence as to the amount of the turnover and as to the reasonable charges on the gross profit, but difficulty in proving the purchases. It was argued for the claimants that they were in a position to buy at a price, which left them a larger gross profit than was usual in their class of business, and in proof thereof they produced copies of invoices of certain exceptionally cheap purchases. Unfortunately for their argument their opponents had ascertained that they had been considerable purchasers at the usual terms, and, on a careful examination of Stock Sheets produced, it was shown that the whole, or at all events a very large proportion, of the cheap goods for which invoices had been produced were still unsold at the date to which the accounts were made up, and were probably unsaleable.

In dealing with questions under the Companies Acts as the valuation of shares, we come back again to many of the points raised when considering the value of a goodwill. There are, however, other considerations arising here which require careful thought from the professional accountant. The policy which has been followed by the directorate in its management of the company may have an important bearing upon the value of the shares; restrictions imposed by the articles of association with regard to transfer of the shares, the powers of directors, the control of voting or the rights of different classes of shareholders; the extent to which the shareholding is limited, or a ready market exists for the shares; and very often a large amount of what can only be described as sentiment affect in one way or another such a valuation. The effect of such considerations may be readily seen by comparing the prices at which the shares of different companies, apparently similar in character, are quoted on the Stock Exchange. Two companies paying the same rate of dividend will be noted standing at widely different prices, and if you endeavour to ascertain the reason for this difference in price you will probably find it a matter of more or less difficulty. It may be that the public are more satisfied with the conduct of the one company than with that of the other, or with its general financial position, or it may be that there is a freer market for its shares, but very often the reason is a purely sentimental one—confidence in a name or a public reputation—not always deserved. The same elements exist to a greater or less extent, whether the shares are quoted publicly, or are only dealt in privately and transferable under powers involving a valuation by arbiters or an accountant.

In the exercise of these powers it is well to bear in mind that the law is very jealous in its protection of the rights of a retiring member of a company to secure that he should get the full and fair value of his interest therein, and it will not support a valuation if it can be shown that in fixing it due consideration had not been given to any fact or circumstance which might affect the value of the shares, keeping in view the powers or conditions which entail the valuation. Besides looking at what may be called the purely intrinsic value of shares, full weight must be given by the valuator to all points brought before him which may be likely to influence his views, and it is his duty to call for or to obtain all the information which in his opinion is necessary for his guidance.

An investigation directed towards fixing liability for loss on directors, or other officials of a company, is generally a complicated one, entailing a thoughtful examination of books and documents and studious consideration of their contents. Such an investigation is closely allied to those already referred to when treating of the value of the professional accountant's services in connection with criminal proceedings. As a rule, the only difference arises from the

absence of allegation of fraud or criminal intention and substitution of a claim for loss sustained. The preparation of this claim will constitute the principal difference in the work to be undertaken by the accountant.

An accountant may be thoroughly qualified to make all the investigations required, and to bring his results together in a satisfactory manner, such as will enable counsel to put a fair case before the Court with confidence that it will be fully supported by the evidence. He may still, however, be wanting in some of the qualifications asked for in a good expert witness. He must be able to make a creditable appearance in the witness-box, to put his evidence clearly before the Court, and to maintain his facts, arguments, and opinion under cross-examination, very often of a somewhat trying character.

The first essential to this is a thorough knowledge of his case in all its details. In no branch of an accountant's business is it more essential to have an intimate personal knowledge of all the details involved in the statements which are made, or the facts which fall to be spoken to. I do not suggest that clerical assistance must be done without, but the whole should be gone over in such a manner by the accountant himself that he is in a position to certify to the correctness of every item, and to lay his finger upon the source from which the information has been procured. Counsel have an awkward habit at times of finding out the weak point in the evidence of a witness, and of asking questions under cross-examination which are difficult to answer.

On one occasion a well-known member of our profession was giving evidence in Court, in support of which he put in statements prepared from the books, detailing items claimed by him to have been erroneously omitted from certain accounts under dispute. The collection of the material for these statements had probably been commenced by the accountant himself, but he had left his clerk to complete the investigation and to prepare the statements. The opposing counsel had been informed that, whilst the items might have been correctly enough extracted from the books, one or two of them were entered in these books somewhat out of the order in which they might have been expected to have appeared. He accordingly entered upon his cross-examination on these statements by requesting the accountant to verify their correctness by pointing out to the Court certain of the entries in the books from which he had made up the statements. He, of course, selected items which were irregular in their treatment, and the accountant was unable to find them in a hurried examination of the books, with a result unsatisfactory to himself and to his client.

Next to a thorough knowledge of his own case, the most important requirements of an expert witness is a complete grasp of his opponent's case. His mind should be applied to the position which he would take up if he had been employed by the opposing party, and he should endeavour to ascertain thereby as fully as possible his own weakness and his opponent's strength. Having done so, let him fortify himself for defence and prepare for attack. The more thoroughly he has seen the deficiencies of his case, and comprehended the strong points which may be brought against him, the more confidence will he have when under cross-examination, and the greater will his services be appreciated by his own counsel for the guidance they render in the cross-examination of witnesses, or in leading counter evidence when the witnesses for the opposite party are called upon first.

An accountant who wishes to retain his professional reputation and good name should not, when asked to give evidence in regard to any disputed matter, accept the employment unless he can honestly support the view which he is invited to sustain. If asked to act in any cases as to which he is unable to give an opinion until he has made, at all events, a certain amount of investigation, he should make his position clear at the outset that the nature of the evidence which he is prepared to give is dependent upon the result of his preliminary examination of the books or accounts. Even then this will still depend upon his preliminary inquiries being confirmed or justified when all the facts bearing thereon have been ascertained. It has been said that figures may be made to show anything, but in most cases which come under the cognisance of the accountant in litigious matters there is a large amount of hard fact which can only be explained away by much subterfuge, and to this course he should decline to be a party.

It is a very useful, I might almost say essential, thing before preparing to go into the box that a witness should refresh his memory in regard to what he may have stated or written on former occasions, and which may have a more or less direct bearing upon the point on which he is asked to speak, but which may not quite coincide with the view he now proposes to express. For instance, it is rather inconvenient, when giving evidence as to the value of a goodwill, or as to the basis to be adopted in ascertaining the profits of a business, to be asked to reconcile his views with a certificate of profits in the prospectus of a company to which his name is attached, possibly issued many years previously, or to have his memory stirred up by quotations from evidence given by him on a former occasion when similar questions were raised. The reconciliation may be an easy and satisfactory one enough, but if asked for it unexpectedly in the course of a

rather worrying cross-examination it may be difficult to immediately recall the circumstances or details, and so make it somewhat trying to justify his apparently new position, or to give the explanation in a convincing manner.

The creditable appearance of a witness in the box is materially assisted by the form in which his precognition has been drawn up for the guidance of the counsel conducting the case. This should be brief and concise, embodying in as few words as possible the facts as ascertained, or the opinion which the witness has been called upon to express, or defining in a simple manner the principle adopted in the preparation of statements to be submitted to the Court. Unnecessary details and elaborate explanations should be avoided. The witness will, of course, state something as to his qualifications and experience in regard to the class of business to which he is called to speak, in order that due weight may be given to his evidence. In this reference it is undesirable to claim a large experience of auditing when dealing with a question involving points generally arising in connection with an audit, if it has to be admitted in cross-examination that the only audit appointments held are those of a small parish council, and of a limited company having a paid-up capital of £2,000.

Not only does much depend upon the preparation of the precognition, but, further, upon a close adherence to the statements in it when under examination, and only to these in so far as called upon by counsel to speak. It is a mistake to attempt to give explanations or reasons not previously submitted to the counsel in charge of the case, nor is it wise to enter upon argumentative points, unless called upon by him to do so. The learned counsel is responsible for the conduct of the case, and should not be hampered by unexpected evidence from his own witness; whilst, on the other hand, he may consider it better not to call for all the evidence which has been submitted to him.

It is sometimes of value to a case that a witness should keep back a strong point in favour of his position, the absence of which in the evidence in chief is likely to attract the attention of opposing counsel, and lead him to think that he has got hold of a weak point. He will probably try to emphasise this apparent weakness when he has the witness under cross-examination, and so give him an opportunity of making his point with more effect than in his evidence in chief. Indeed it may have the result of abruptly closing the cross-examination.

I cannot do better than conclude by referring you to the excellent description of the position as expert witnesses of two gentlemen whose names at least are known to all of us, given by Lord Ardwall at the jubilee dinner of our Institute in 1905. With regard to Mr. Wyllie Guild, he stated that " he never knew a better professional witness. "He expounded his own views with a wealth of imagery "and illustration which often affected the obdurate hearts "of a British jury, and woe to the counsel who rashly "attempted to cross-examine him. He was not severe upon "any counsel who cross-examined him. He just over-"whelmed him with a bland cloud-like mass, against which "no ill nature on the part of the counsel could prevail, "which no incisive questions could penetrate. Mr. Wyllie "Guild was left standing in the box, leading everybody "who heard him to think that he was absolutely right, "that he alone of anybody in the Court knew anything "about the case, and that those who differed from him "were exceedingly to be pitied."

With regard to Mr. William McKinnon, Lord Ardwall said that "he very nearly equalled Mr. Wyllie Guild as a "professional witness, but his style was totally different. "He was quite cool and incisive in his examination, and "then when he came to cross-examination I can only say "this, that the counsel who cross-examined him had "generally very little to congratulate himself upon, because "Mr. McKinnon always began by stating his case very "meagrely, if I may say so, and he had always up his "sleeve a number of additional facts and figures with "which he overwhelmed the unfortunate counsel. Those "who knew him well, unless they had some uncommonly "good thing up their sleeves on which they could rely to "controvert some of the propositions he had brought "forward, came to know that they had very much better "leave Mr. McKinnon alone." Lord Ardwall completed his reference to these two gentlemen by adding that "if you "ever put a straight question to either of them which "admitted of a plain answer, they never hesitated to give "it, even though it was against their own case. They "gave it honestly and straightforwardly."

On the motion of Mr. Matthew Mitchell, C.A., Mr. Moore received a cordial vote of thanks for his paper; and on the motion of Mr. John M. MacLeod, C.A., a hearty vote of thanks was accorded to the Chairman.

East of Scotland Bankruptcy Reform Association, Edinburgh.

English Bankruptcy Procedure.

By H. L. Price, F.S.A.A.

An address delivered to the above Association on March 6th 1907.

I have been asked to address you to-night upon the subject of Bankruptcy Procedure under the English Law,

and your Secretary has been good enough to set for me in general outline the limits within which what I may have to say shall move. I have gathered that I am not so much required to express opinions as to record facts, and that I am in the main to refrain from entrenching upon the province of another by suggesting reforms. Being thus kindly relieved for the choice of subject, and being carefully guarded from running wild by the girdle of a ring fence, I will endeavour as concisely as I can to inform you of the nature and contents of my particular compound. May I preface this by saying that I know little of Scots' bankruptcy law, or how far, if at all, it parallels the English system. I understand, however, that you are seeking some reform of your law, and that, with the thoroughness and caution which are usually regarded as among your national characteristics, you are endeavouring to make yourselves acquainted with the insolvency laws of other civilised nations, in order that you may adapt to your requirements that which is best in each. I will therefore—great as the assumption is—imagine for the time being that you are quite uninformed as to the procedure under the present English bankruptcy law, and endeavour to acquaint you of its main provisions. I say "the present" law for the reason that it was amended no less than nine times during the last century, and that at the moment it is again in a state of flux, being, as I think you are aware, referred to a Special Committee for inquiry and report. It is fairly certain, however, that any proposed amendments will not touch the basic principles, but will be concerned with details.

The principal Act is that of 1883, which was amended in important respects by the Act of 1890, and they are construed together as one Act. They apply only to England and Wales, and are administered as to London by the High Court of Judicature, and as to the country by local Bankruptcy Courts—*i.e.*, County Courts to which bankruptcy jurisdiction is given. The procedure is by petition, either of debtor or creditor, to one of the Courts mentioned within the district of which the debtor has resided for the greater part of the preceding six months. In the case of a debtor's petition, there are besides this no precedent conditions necessary. He usually seeks the protection of the Court as a sanctuary from pursuers. The form of petition is very simple. It recites that he has been resident for the greater part of six months within the district of the Court, that he is unable to pay his debts, and prays that a receiving order may be made in respect of his estate. It may be prepared and filed either by a solicitor (whose costs are paid out of the estate), or by the debtor himself. The Official Receiver (of whose duties I shall speak later) is always willing, as the administrative official of the Board of Trade, to give to the debtor advice and assistance in the preparation of his petition. The petition must bear a £5 stamp, and be accompanied by a deposit of £5 with the Official Receiver to cover preliminary expenses. It must be lodged in Court, and may not be again withdrawn without consent of the Court, and the presentation of it shall be deemed to be an act of bankruptcy. The Court, through its Registrar, may make an immediate receiving order, thus placing the estate within the custody of the Official Receiver.

The filing of a petition by a creditor is, however, except by the co-operation and consent of the debtor, much slower in its operation. It must be based upon one of many acts committed or suffered by the debtor, which are known as acts of bankruptcy, and which, to be available for the grounding of a petition, must have been committed within three months prior to the filing of the creditor's petition. These acts of bankruptcy are as follows:—

(*a*) If in England or elsewhere he (*i.e.*, the debtor) makes a conveyance or assignment of his property to a trustee or trustees for the benefit of his creditors generally.

(*b*) If in England or elsewhere he makes fraudulent conveyance, gift, delivery, or transfer of his property, or any part thereof.

(*c*) If in England or elsewhere he makes any conveyance or transfer of his property, or any part thereof, or creates any charge thereon, which would under this or any other Act be void as a fraudulent preference if he were adjudged bankrupt.

(*d*) If with intent to defeat or delay his creditors he does any of the following things—viz., departs out of England, or, being out of England, remains out of England, or departs from his dwelling-house, or otherwise absents himself, or begins to "keep" house, *i.e.*, to remain indoors, and denies himself to callers.

(*e*) If execution against him has been levied by seizure of his goods under process in an action in any Court, or in any civil proceedings in the High Court, and the goods have been either sold or held by the sheriff for twenty-one days.

(*f*) If he files in Court a declaration of his inability to pay his debts, or presents a bankruptcy petition against himself.

(*g*) If a creditor has obtained a final judgment against him for any amount, and execution not having been stayed, has served on him in England, or, by leave of the Court, elsewhere, a bankruptcy notice under this Act, requiring him to pay the judgment debt in

accordance with the terms of the judgment, or to secure or compound for it to the satisfaction of the creditor or the Court, and he does not within seven days after service of the notice, in case the service is effected in England, and in case the service is effected elsewhere, then within the time limited in that behalf by the order giving leave to effect the service, either comply with the requirements of the notice, or satisfy the Court that he has a counter-claim, set-off, or cross demand which equals or exceeds the amount of the judgment debt, and which he could not set up in the action in which the judgment was obtained. And any person who is for the time being in a position to enforce a final judgment shall be equally able to present a petition.

(*h*) If the debtor gives notice to any of his creditors that he has suspended, or that he is about to suspend, payment of his debts.

It will be seen that the scope of these acts of bankruptcy covers the whole range of possible default on the part of a debtor, and, sooner or later, he who is not prepared to pay in full the demand of a creditor or creditors who are in a position to petition can be brought before the Court. Where there has not been the commission of some active act of bankruptcy the serving of the seven days' notice will, in default of payment, create one.

But even assuming an available act of bankruptcy to be existent, a creditor is not entitled to present a petition unless—

(1) The debt owing by the debtor to the petitioning creditor, or, if two or more creditors join in the petition, the aggregate amount of debts owing to the several petitioning creditors, amount to fifty pounds, &c.

(2) The debt is a liquidated sum payable either immediately or at some certain future time (as in the case of a bill of exchange); and

(3) The act of bankruptcy on which the petition is grounded has occurred within three months before the presentation of the petition; and

(4) The debtor is domiciled in England, or within a year before the date of the presentation of the petition he has ordinarily resided or had a dwelling-house or place of business in England.

The petition being filed and verified by affidavit, the Registrar of the Court fixes a day for the hearing of it, which is endorsed upon the petition, and a sealed copy of the document is served personally upon the debtor by an officer of the Court, or by the creditor or his solicitor. If personal service cannot be effected, or the Court is satisfied that the debtor is keeping out of the way, it may order substituted service by registered letter, or upon some inmate of his house, or by advertisement in the public papers.

Upon the hearing of the petition the creditor must attend, unless the Court has made an order dispensing with his attendance, and must prove his debt, as well as the commission by the debtor of the act of bankruptcy upon which the petition is grounded. The Court may grant, dismiss, or stay the making of a receiving order; dismissal follows inability on the part of the creditor to show that his petitioning debt is owing, or that the act of bankruptcy alleged has been committed. Where the act of bankruptcy relied on is non-compliance with a bankruptcy notice, and the debtor is able to show that he has reasonable ground for impeaching the judgment which his creditor has obtained as a condition precedent to the service of the bankruptcy notice, and alleges that he has appealed against the judgment, the Court may upon such terms as it may impose stay the bankruptcy proceedings pending the hearing of the appeal. But in such a case it is usual to require the debtor to bring into Court the amount required by his creditor, or to give security for it. In the absence of any valid reply to the allegations in the creditor's petition, however, the Court will make a

Receiving Order.

The immediate effect of this is to constitute the Official Receiver, who is a Board of Trade official, receiver of the property of the bankrupt, pending the general body of creditors being consulted. It also operates as a stay of all proceedings against the debtor or his estate. If the sheriff is in possession under a writ of execution he is dispossessed, save that the *costs* of the execution shall be a first charge upon the assets; but if before the proceedings are instituted he has seized and sold, or money has been paid him to avoid a sale, then he must hold such proceeds for a period of fourteen days, and if within that period he receives notice that a receiving order has been made, the sheriff shall pay the balance in his hands to the Official Receiver, or the trustee, for the general benefit of the estate. The only exception to this is in cases where the execution debt is for £20 or under, when the sheriff may pay over to the execution creditor immediately any moneys coming to his hands, which then is irrecoverable.

The making of the receiving order must be gazetted, and the Official Receiver must cause a sealed copy of the document to be served upon the debtor. One result of a receiving order is that the bankruptcy of the debtor shall be assumed to have commenced at the date of any prior act of bankruptcy committed within three months before the

making of the receiving order, and all transactions of creditors with the debtor during that period come under the purview of the receiver, and may be possibly set aside. The general trend of the law, however, is to protect transactions where creditors have acted *bonâ fide* and have had no notice of the existence of the act of bankruptcy, and to nullify transactions where the reverse is the case. This has the effect at times of calling into question and subjecting to examination payments and transactions which may partake of a fraudulent nature, or may at least constitute what is known as the granting by the debtor to one of his creditors of an undue preference. The latter is made one of the allegations under the terms of the Act of 1890 in opposing the discharge of the debtor, of which more will be said later on. A receiving order may be granted under Section 5 of the Debtors Act in place of committing a debtor to prison for non-payment of a judgment debt.

Official Receiver.

It it can be shown to the Court at any time after a petition has been presented, and before it has been heard or a receiving order made, that it is desirable in the general interests of the creditors that the estate shall be protected, the Court may appoint the Official Receiver to act as *interim receiver* of the debtor's property, and direct him to take immediate possession of it. In estates with assets over £300 (*i.e.*, of that estimated realisable value) the duty of the receiver broadly is to act as custodian of the assets until the creditors can be assembled, and to take steps to convene them. In estates where the assets are of less value than £300 the Official Receiver may apply to the Court to make an immediate order adjudicating the debtor a bankrupt, and the Official Receiver thereupon is *de facto* the trustee of the estate, although he may be subsequently removed by resolution of the creditors and an outside trustee appointed. It will be seen, therefore, that the principle of the Act is, upon the making of the receiving order, to put the assets in the custody of the law until decision can be come to by the creditors as to the steps which shall be taken. Shortly, the duties of the receiver are the interim management of the estate, to summon and preside at the first meeting of creditors, to issue forms of proxy for use at the meetings, to report creditors as to any proposal made by the debtor, to advertise the receiving order and the dates of the first meeting and of the debtor's public examination, to take part in the examination, and to act as trustee during a vacancy in the office. He must consult the wishes of the creditors as far as practicable with reference to the management of the debtor's property pending the first meeting, and, beyond disposing of perishable goods, it does not fall within his duty to realise the assets. The Official Receiver may, while in charge of the debtor's estate, make the debtor such allowance for the support of himself and his family as he may think just. He shall keep a Record Book and Cash Book, in the first of which he shall record from day to day the steps which he has taken in connection with the insolvency, and in the latter of which he shall record his receipts and payments. It is usual for him to apply to the Court to have the debtor's letters re-directed to him, and he must give the debtor instructions for the preparation of his statement of affairs. This statement of affairs must be made out in duplicate, one copy of which the debtor has to verify by affidavit. The Official Receiver shall file the verified copy in Court, and retain the other for his own use. Permission may be given for the appointment of some person to assist the debtor in the preparation of his statement of affairs, and discretion is allowed to the Official Receiver to make this appointment and fix a fee for the service. Having received the statement of affairs, the Official Receiver convenes a meeting, which shall be held as soon as may be after the making of the receiving order, and not less than fourteen days thereafter, by giving not less than seven days' notice in the London *Gazette* and in a local paper. He shall also give notice to each creditor mentioned in the debtor's statement of affairs, and, if no statement has been lodged, then to all creditors of whom he has knowledge, giving the time and place of meeting. With this notice of meeting it is customary for the Official Receiver to send a summary of the debtor's statement of affairs, if lodged, and it is essential that he shall at the same time send a form of proxy to be used by the creditors who are unable to be present personally. In the notice convening the meeting the Official Receiver also fixes the dates upon which the creditors' proof of debt and form of proxy shall be lodged with him.

Proxies.

Every form of proxy must be given upon the form issued by the Official Receiver. This is a somewhat cumbersome method, which is due to the fact that under the Act of 1869, which preceded that of 1883, many abuses grew up in the giving and obtaining of proxies, in which a discreditable traffic existed among professional men. The present form of proxy is in two parts:—(*a*) General, and (*b*) Special. A general proxy can only be given to the Official Receiver, or to some person in the regular employ of the creditor. If given to any other person it must be in the form of a special proxy, which is usable only at the particular meeting for which it is given, or any adjournment thereof, and must contain the specific resolution for or against which the holder of it may vote. The insertions in the proxy must be in the handwriting of the creditor giving it, or, if the insertions are made by an employee, a certificate to that effect must be appended and signed by the person making the insertions that they have been made at the request and upon the instructions of the creditor, and in his presence.

The Official Receiver may administer oaths in the verification of proofs of debt, and in dealing with proofs for the purposes of voting he has all the powers of a trustee in respect to them; thus he may admit or reject proofs, subject to the right of a creditor to appeal to Court if he is of opinion that he is not being fairly treated. It is the duty of the Official Receiver to preside personally or by deputy at the first meeting, and to vote as proxy for any creditors who may appoint him. He must take minutes of the meeting, and file a copy of the resolutions passed at it. If at the first meeting it is resolved to appoint him trustee of the estate, then he acts in all respects as would an outside professional trustee, if he were appointed, and, as I shall have to deal with the trustee's duties later, I will defer further consideration of it.

It is, as I have already stated, frequently the case that a debtor resorts to Court as a protection from attack. He may be willing to offer to his creditors by way of composition more than they can reasonably expect to realise, and in the interval between the making of the receiving order and the adjudging of him as a bankrupt an opportunity is allowed him to carry that desire into effect, and even after adjudication he may do the same. Inasmuch, however, as the Board of Trade, by the Act of 1883, re-established the principle that it is the right and duty of the State in cases of insolvency to have regard to questions affecting the bankrupt's conduct, there is a provision that if any facts are proved against a debtor which in a bankruptcy would compel the Court to refuse, suspend, or attach conditions to a bankrupt's discharge, then the Court *must* refuse its approval to a debtor's proposal, unless security is provided for the payment of not less than 7s. 6d. in the £ on all the unsecured debts, plus all costs and preferential claims. Within four days of submitting the statement of affairs, or such time thereafter as the Official Receiver may fix, the debtor must, if he wishes to offer a composition, lodge with the Official Receiver in writing, duly signed, the proposal embodying the terms of any composition or scheme which he is desirous of submitting to his creditors. It is the duty of the Official Receiver to send to each creditor before the meeting a copy of this proposal, with his own report thereon, and, subject to the condition already stated as to the Court's sanction, if the meeting by a majority in number and three-fourths in value of all creditors who have proved their debts resolve to accept the proposal it shall be deemed to be duly accepted, and on approval by the Court shall bind all the creditors. A creditor may signify his assent to, or dissent from, the proposal by a letter addressed to the Official Receiver in a prescribed form.

Adjudication.

It will be observed that up to this time the debtor has not been declared a bankrupt. The Court may, however, at any time on the application of the Official Receiver, if it is shown that the debtor has failed without reasonable excuse to comply with the requirements of the Act, adjudge him a bankrupt, and must do so if the creditors at the first meeting or any adjournment thereof resolve that he shall be adjudged bankrupt, or if they pass no resolution, or do not meet, or a composition scheme submitted is not approved within fourteen days. It happens not infrequently when a debtor has presented his own petition, and has no offer of composition to submit, that he applies for and is granted an immediate order of adjudication. Immediately on the order of adjudication being made the property of the bankrupt vests in the trustee (either the Official Receiver or an outside trustee) and becomes divisible among his creditors. As I have already said, in the absence of any other appointment, then the Official Receiver is *ex officio* the trustee.

Public Examination.

As soon as conveniently may be after the receiving order the Court must appoint a day for the examination of the debtor as to his conduct, dealings, and property. The debtor must attend thereat, and the Official Receiver, and any creditor who has tendered a proof of himself or by his representative authorised in writing, may examine the debtor as to his affairs and the causes of his failure. The trustee and the Court may also take part in the examination, the debtor being upon oath. A shorthand note of the evidence given is taken, and at a subsequent date the transcript thereof is read over to the debtor and signed by him, and is then placed upon the file of the Court. Such answers as the bankrupt may give upon his public examination may be subsequently used in evidence against him. Similarly, upon the application of the Official Receiver, or trustee, the Court may summon for examination on oath the debtor's wife, or any person known or suspected to have in his possession any assets of the debtor, or who may be thought capable of giving information generally about the debtor or his property. And either the debtor or other witness not attending under the summons of the Court is liable to apprehension by warrant. The debtor is compelled to answer questions relating to his assets, even though his answers may criminate him. To enable the Official Receiver exhaustively to examine the bankrupt he is compelled, immediately the receiving order is made, to answer certain written questions dealing with the history of his trading.

Meanwhile, the creditors meet to consider any offer of composition, and, in the absence of an offer, to appoint a trustee and committee.

Trustee.

In estates with assets of £300 or upwards it is quite customary for a separate trustee to be appointed, apart from the Official Receiver, and it is usual now to appoint professional accountants. All the acts of the trustee during his

tenure of office are held to be valid, even though the adjudication may be subsequently annulled. The trustee is appointed by ordinary resolution of the creditors—that is, by a majority in value of the debts of the creditors present or duly represented at the meeting—or the creditors may, in the alternative, appoint a committee of inspection, and delegate the appointment of the trustee to that body. When appointed, the trustee must give security for his fidelity to the satisfaction of the Board of Trade, and the practice has grown up of accepting the bonds of well-recognised guarantee societies for that purpose. Having completed his security, the Board of Trade certifies his appointment by sending his certificate to the Official Receiver of the district in which the bankruptcy has arisen, and the receiver thereupon places such certificate upon the file of the Court. If, however, the Board of Trade object to the appointment of a trustee, either on the ground that he is not a fit and proper person to act as trustee, or that the appointment has not been made in good faith by a majority in value of the creditors, or that his actions with or relation to the bankrupt or his estate, or to any particular creditor, make it difficult for him to act with impartiality in the interests of the creditors generally, they may refuse to certify. There is, however, a provision that if requested to do so by a majority in value of the creditors, the Board of Trade shall notify the nature of their objection to the High Court, which Court shall decide upon its validity. It is a sufficiently good objection against a trustee that he has been previously removed from a similar office for misconduct or neglect of duty. The appointment of the trustee takes effect from the date of his certificate. His duty is with all diligence to get into cash the assets belonging to the bankrupt, and in due time to make a rateable division of them. He must carefully scrutinise every proof of debt or other claim upon the estate, and satisfy himself before its admission that it is valid. He may reject a proof subject to the creditors' right of appeal to Court. In other points he must act in his office as a faithful trustee, and as thoroughly as a reasonable business man may be expected to act in the conduct of his affairs.

Committee of Inspection.

To act with the trustee is usually appointed a committee of inspection, numbering not less than three nor more than five, who must be either creditors or the holders of general proxies or general powers of attorney from creditors. No creditor or representative of a creditor shall be qualified to act on the committee until that creditor's debt is proved. Generally the powers of a committee are to control and direct the trustee in the realisation, and to fix his remuneration.

Where no committee of inspection is appointed by the creditors, then it is the duty of the Board of Trade to act as a committee, to whom the trustee must refer for decision all matters which in the ordinary course are within the decision of a committee of inspection. Under ordinary conditions no member of the committee of inspection may receive out of the estate any payment whatever, other than a refund of legitimate travelling expenses entailed by his attendance at meetings of the committee. But where a member has rendered any special services in the administration of the estate, the Court may upon application order that a specified payment may be made to him. There is a provision in the Act that the committee shall meet at such time as they shall appoint, and, failing such appointment, once a month; but, as a matter of practice, this rule is not observed. A member of committee vacates his office if he becomes bankrupt, or arranges with his creditors, or is absent from five consecutive meetings.

Accounts.

The trustee must keep in a form specified in the Act a record of his receipts and payments, and, unless the committee of inspection shall so determine, all moneys realised from the estate must be paid by him to the Bankruptcy Estates Account of the Board of Trade, which is kept at the Bank of England. He may not make disbursements out of moneys in his hands, but must pay to the bank the gross proceeds, and make formal application for cheques in payment of outgoings.

Every six months from the date of the bankruptcy he must send in duplicate to the Board of Trade copies of his accounts verified by affidavit, and certified as audited by the committee of inspection, and the Board of Trade officials again examine them with vouchers and with the original statement of affairs, and upon any matters which are in doubt, or which call for explanation, requisitions are directed to the trustee, who is compelled to answer them. And when the Board of Trade is satisfied that the accounts are correct, the Inspector-General issues a certificate to that effect, and up to that date the accounts are passed as correct. At each audit the trustee must also send a report upon the position of the estate, showing the assets which have been realised and those which remain outstanding, assigning reasons why they have not been got in, and dealing with other matters connected with administration. The control of the Board of Trade over the trustee in the duties of his office is absolute. Should he refuse or neglect to comply with the provisions of the Act, or to give in reply to reasonable inquiries the fullest information, the Board of Trade may remove him from his office, subject to the condition that he has a right to be heard in Court against the removal. This close scrutiny of accounts and proceedings, and the fact that the Board of Trade has always an open ear to the complaints of creditors, undoubtedly has the effect of ensuring honest administration in the vast majority of cases.

In addition to the Cash Book, the trustee must keep a Record or Minute Book of the various steps taken in the administration of the bankrupt's estate. The minutes from time to time are signed by the committee of inspection, and the trustee is debarred from doing anything which involves the estate in expense without such sanction. He may not, for instance, retain the services of solicitor or auctioneer without a resolution of the committee, and in the case of a solicitor the resolution must define specifically the purposes for which the retainer is given, and upon that retainer only will the taxing-master issue an allocatur for the costs incurred.

Dividends.

When a trustee has dealt with the proofs of debt, which he must do within twenty-eight days from receiving them, he must mark upon the face of them whether he admits or rejects them in whole or in part, and, having given notice to this effect to the creditors, the proofs are placed on the file of the Court.

The Act provides that the first dividend shall be declared within four months from the commencement of the bankruptcy. That in practice is found to be an undesirable limitation, for the reason that in many instances it is not possible to make the declaration within that period. When a dividend is about to be declared the trustee sends to the Board of Trade a notice of his intention, fixing a date as a limit of time within which proofs of debt will be received from creditors who have not already proved, and the Board of Trade causes such notice to be inserted in the London *Gazette*. Concurrently he must give a similar notice to every creditor who is mentioned in the statement of affairs, but who has not proved his debt, that he will be excluded from benefit of dividend if he does not within the period fixed lodge a sworn proof of his claim. When the date limited arrives the trustee deals with any further proofs which have come to his hands, and places them also upon the file. Having now ascertained the total of the liabilities, and knowing the balance available for distribution, he proceeds to declare his dividend. Again, he must give notice of the dividend so declared, with the amount of it, and the date of its payment, and this notice is also inserted by the Board of Trade in the *Gazette*. From the Registrar of the local Court in which the proofs are filed the trustee then obtains a certified list giving the names of creditors whose proofs are before the Court, with the amounts of their respective debts, and against each item the dividend payable upon it is placed, and the document is then sent to the Board of Trade as an application for the issue of dividend cheques. Notice of the dividend declared is sent to each creditor who has proved, and who must before receiving their dividends produce any bills of exchange or other securities held by them, and which are to be surrendered. All dividends being paid, the trustee is then in a position to close the estate and apply for his release.

Release.

With the notice of dividend he is compelled to issue a statement of his cash receipts and payments in the form set out in the Act. And if one-sixth in value of the creditors object to the amount of his remuneration the Board of Trade will, upon a requisition being presented to them, consider and, if thought fit, revise the amount. Together with this notice an intimation is sent to each creditor that it is the intention of the trustee to apply for his release from his trust, so that the creditors may have the opportunity of objecting, should any reason exist for doing so. The trustee then sends to the Board of Trade copies of the account and notice of the intention to apply for his release, as issued to the creditors, accompanied by a formal application for release. It is customary for the Board of Trade to refrain from dealing with the application for a period of about three months, so that if in the interval any information should come to their knowledge which in their opinion renders it inadvisable to grant the release it may be refused. The reason for this is that the release discharges the trustee from all liability in respect of any act done or default made by him in the administration of the bankrupt's estate, unless it can be shown that the order of release was obtained by fraud or the suppression or concealment of any material fact. If within the period mentioned no valid objection is lodged the release is granted, and the trustee ceases from his duties, and all matters connected with the estate therefore are dealt with by the local Official Receiver, who, as already stated, is *ex officio* trustee of all the bankrupt estates where no other trustee exists.

Trustee's Remuneration.

Where there is a committee of inspection the remuneration of the trustee is fixed by that body, and, where no committee exists, by the Board of Trade. It is based ingeniously on two commissions: (1) Upon the amount realised and brought to credit, and (2) upon the amount distributed by way of dividend. The result of this is, or ought to be, to induce the trustee to realise from the assets the utmost possible amount, and, having realised it, so to keep down expenses that he may distribute as much as possible. The rate of commission is governed entirely by the facts of each particular case. The average of such commissions may probably be taken as 5 per cent. on assets realised and 3 per cent. on dividends distributed. Regard will, however, usually be had to the amount of time which it has been necessary for the trustee and his staff to expend upon the particular matter. It happens not infrequently where the assets are small that lengthy and onerous investigations have to be made into the bankrupt's conduct and trading,

so that, to properly remunerate the trustee, commissions of 20, 30, and 40 per cent. each way may have to be allowed.

Punishment of Fraudulent Debtors.

The Debtors Act, 1869, for the purpose of punishing fraudulent debtors has to be read and construed with the Bankruptcy Act of 1883.

I do not propose to weary you by quoting at length the sections of the Act, which is, unfortunately, not used as much as it might and should be. But I will give you shortly the conditions under which a prosecution will lie, and, if the debtor is found guilty, he shall be liable to imprisonment, with or without hard labour, for not more than two years. There is, however, in most of the clauses, as in your own Debtors Act, 1880, a provision that the prosecutor must, concurrently with the establishment of the facts, satisfy the jury that the defendant *intended to defraud or to defeat the law.* The provisions, summarised, are as follows, and I understand that they much resemble the offences detailed under Scots law :—

(1) If a bankrupt does not disclose to his trustee all his property.

(2) If he does not deliver up all his books, documents, &c., relating to his property, or prevents their production, or conceals, destroys, mutilates, or falsifies any such books, or makes any false entries in them.

(3) If after presentation of a petition, or within four months previously, he conceals any part of his property to the value of £10, or any debt due from him.

(4) If within a similar period he fraudulently removes any part of his property to the value of £10 or upwards.

(5) If he makes any material omission in any statement relating to his affairs.

(6) If knowing or believing that a false debt has been proved against his estate he fails for a period of a month to inform his trustee.

(7) If within the aforementioned period of four months, or after presentation of a petition, he attempts to account for part of his property by fictitious losses or expenses.

(8) If within four months he obtains property on credit by false representations and has not paid for same.

(9) If within four months he pawns or disposes of any property other than in the ordinary way of trade for which he has not paid.

(10) If he is guilty of obtaining the consent of his creditors to any arrangement by false representation or other fraud.

(11) If within four months he quits England and takes with him, or makes preparation for taking with him, any part of his property of the value of £20 or upwards which ought to be divided amongst his creditors.

The debtor is also liable to imprisonment for any time not exceeding one year if (1) in incurring any debt he has obtained credit by false pretences or other fraud; (2) with intent to defraud his creditors has made any gift, delivery, or transfer of his property; (3) with intent to defraud his creditors has concealed or removed property within two months before the date of an unsatisfied judgment.

The Court may commit any debtor for trial where there is reasonable evidence of any of these offences, and upon committal it shall be the duty of the Public Prosecutor to carry on the prosecution. The whole difficulty, however, centres in the proof of *intent to defraud*, which renders nugatory much of the power bestowed, and it would appear that at least the onus of proving *an absence of intention to defraud* should lie upon the defendant.

Fraudulent Preference.

If within three months prior to the presentation of a bankruptcy petition the debtor has transferred, conveyed, or mortgaged any of his property to any creditor with a view of giving such creditor a preference over the other creditors, the transaction shall be deemed fraudulent and void as against the trustee. But such transactions cannot be avoided if it is clear that they were entered into to relieve *bonâ fide* pressure by the creditor. The dominant intention of the debtor must be to prefer the particular creditor, and the onus of proof of that intention lies on the trustee. But where a payment has been made to relieve a surety, or to make reparation for a past wrong, such as a breach of trust, the payment is protected and unassailable. All the same, such undue preferences, though not voidable, may be made a ground for refusing the debtor's discharge.

Discharge.

A bankrupt may apply for his discharge at any time after his public examination has been concluded. Before the hearing of the application the Official Receiver must lodge upon the file of the Court a report upon the bankrupt's conduct and affairs, including his conduct during the administration. If the bankrupt's assets equal 10s. in the £, and he has not been guilty of any of the misdemeanours under the Debtors Act, the Court has discretion to grant an immediate and unconditional discharge. But if these

conditions do not obtain, or if he has not kept proper books, or has contributed to his insolvency by rash and hazardous speculations or extravagance, or has continued to trade after knowledge of insolvency, or brought vexatious actions, or has defended vexatious actions, or been guilty of other reprehensible conduct, the Court may *not* grant an absolute discharge, but must either refuse it or suspend it for not less than two years, or impose conditions, such as entering up judgment against the bankrupt for a fixed sum. The creditors must have fourteen days' notice of the application for discharge, and may attend and oppose. Even if granted, the discharge does not release the bankrupt from debts to the Crown, or recognisances from liabilities for fraud or breaches of trust, nor from damages for breach of promise, &c. It is a valid objection to the granting of a discharge that the debtor has entered into a voluntary settlement, in consideration of marriage, of money or property which he did not possess, or when his assets were insufficient to meet his liabilities.

Until a bankrupt obtains his discharge he has no protection from the law. All assets which he may subsequently acquire are liable to be seized by the trustee in the first bankruptcy, and this fact frequently creates considerable difficulty, inasmuch as his new creditors may give credit in perfect good faith, and without knowledge that their debtor is an undischarged bankrupt, and consequently lose everything. It is almost certain that some remedy will be attempted in this direction on behalf of the new creditors when the next Bankruptcy Act is passed.

Disclaimer.

One advantage in bankruptcy is that the trustee has the right, with the assistance of the Court, of disclaiming onerous property—such as land which is burdened with onerous covenants, or stock or shares in companies which have any liability for calls, or unprofitable contracts—and this disclaimer by the trustee operates as a renunciation of all the rights, interests, and liabilities of the bankrupt in respect of the property disclaimed. The Court may allow in consequence of the disclaimer such claim upon the estate by way of proof as it may consider just.

General.

The basis of the present Act, according to Mr. Chamberlain, who had charge of the measure, is an attempt to ensure first the honest administration of bankrupt estates, and consequently, following the idea that prevention is better than cure, to do something to improve the general tone of commercial morality. "In other words," he said, "as far "as possible to protect the salvage and diminish the number "of wrecks."

In comparison with previous Acts, the present Act of 1883 errs in the direction of making the administration more official than formerly, and depriving creditors of some discretion which they think they should have.

Reforms.

There should, in my view, be an extension of the punitive powers contained in the Debtors Act. It ought not to be, as I have already stated, for the creditors to prove an intent to defraud, but for the debtor to show that in certain questionable transactions he had no such intention. Particular care should be taken to make it an offence that proper records of trading have not been kept. I do not mean ornamental double-entry books, but I would require at the hands of every insolvent debtor that he should have made a complete record of all cash transactions, of all goods bought and sold, and that he should have a periodical stocktaking. That, more than anything else, would prove whether there was or was not in certain given transactions an attempt to defraud, or at least such a criminal neglect of obvious facts as to amount to fraud. Punishment of debtors also should be short and sharp, and not lingering. I hold the view that to leave a man undischarged under present conditions is as dangerous to the trading community as a derelict vessel drifting about in a fair-way. He should not be allowed to escape the consequences of wrongdoing, but it should in my view be the aim of every insolvency law, as soon as may be in the interests of everybody concerned, to rehabilitate a man as a responsible citizen.

Further, some remedy requires to be applied in our English law to insure that a private arrangement agreeable to all the parties, and made in cases where there has been no actual wrongdoing, should have the sanction of the Court. At present, however, in an estate with half a million of liabilities and ten thousand creditors, where a dividend of 19s. in the £ is likely to be paid, one creditor for £50, or several whose debts amount to that sum, may, as an alternative to being bought off, thrust the estate into the Bankruptcy Court, with all the consequent publicity and some delay.

The costs of bankruptcy are more than under such a private arrangement. Ordinarily the legal costs of filing a petition vary from £17 or £18 to £37 or £38. The Board of Trade, however, take fees on various occasions. Thus, though there is a separate trustee, the Official Receiver charges 1s. each for every notice sent to creditors, and 1s. for seats for each creditor summoned to a meeting, whether the creditors are present or not. The public examination also involves a somewhat expensive shorthand note which is rarely used, while there is an *ad valorem* audit fee payable to the Board of Trade of £1 per cent. Taken in the main, however, the difference in costs between private arrangement and bankruptcy is not material.

The only person who has a right to seize assets which is

paramount to the Official Receiver is the landlord of the debtor's premises, and he may distrain for rent accrued due at any time during the proceedings, with the proviso that if distraint is levied after the commencement of the proceedings his remedy is limited to payment in full of six months' rent.

Conclusion.

I feel that this is a subject which it is exceedingly difficult to make interesting. Any consideration of insolvency scarcely lends itself to light rapier play or a successful badinage. It is, however, a subject of the deepest importance to the commercial community, when it is remembered that in England and Wales alone there is a net annual *loss* to creditors by insolvent estates of nearly nine millions per annum. I could not, except by speaking at great length, enter into more detail, but if, in the course of a subsequent discussion, questions are directed to me upon any particular points I shall be glad to give all the information in my power.

Personal.

Mr. Alexander Mackay, C.A , Broughty Ferry, has been appointed a Justice of the Peace for the county of Forfar.

Messrs. Thomson, Jackson, Gourlay and Taylor, C.A., 24 George Square, Glasgow, the trustees on the sequestrated estate of William Douglas Cairney, C.A., 45 Renfield Street, Glasgow, and residing at 2 North Park Terrace, Kelvinside, Glasgow, intimate that a first dividend will be paid to the creditors on and after 5th August.

Scottish Insolvencies.

For the week ending 22nd June the number of insolvencies reported in Scotland was 24, as compared with 30 in the corresponding week of last year. The trust deeds numbered 14, as compared with 18; the sequestrations 4, as compared with 3; and the petitions for cessio 6, as compared with 9. The total number of insolvencies for the twenty-five weeks of the year is 695, as compared with 650 in the corresponding period of last year—the trust deeds numbering 347 against 321, the sequestrations 131 against 152, and the petitions for cessio 217 against 177. Of the 14 trust deeds reported during the week, 6 were granted in favour of Chartered Accountants. Three voluntary liquidations of limited liability companies were gazetted during the week, making a total of 68 for the twenty-five weeks.

GOLF.—The tie for the gold championship of Notts between Mr. T. G. Mellors, F.C.A., and Mr. J. S. Bridgett as the result of their scores returned in the Union meeting held at Bulwell on June 1st, was played off on the 14th inst. over the Bulwell links. Another 36-holes competition was played, and the contest was exceedingly keen and close throughout, as may be judged from the fact that Mr. Mellors gained the honour only by the narrow margin of one stroke. Mr. Mellors merits the heartiest congratulations of all local golfers on his success, and a more popular champion it would be impossible for the county to provide. He is a thorough sportsman in every sense of the word—as the recent meeting only too well proved—and possessing that virtue not at all common among golfers, a genial temperament, he meets his defeats with the same complacency as he takes his victories, and one will be only too pleased to see Mr. Mellors as county champion on future occasions.—*Nottingham Daily Express.*

Meeting for the ensuing Week.

Monday — INSTITUTE OF CHARTERED ACCOUNTANTS. — Library and Publication Committee, at 2.30 p.m.

Chartered Accountants' Golf Club.

RESULTS of competitions played at Sandwich and Deal on the 20th and 21st June last, by kind permission of the Royal St. George's and Cinque Ports Golf Clubs:—

Bogey Competition at Sandwich, on 20th June.

1.	H. Dennis	6 down
2.	A. J. Kelleway	7 "

Eclectic Medal Competition at Deal, 21st June.

1.	A. J. Kelleway	84	−	5	=	79
2.	Sir J. G. Craggs	85	−	4½	=	80½
3.	T. G. Mellors	80	+	1½	=	81½
4.	J. Lordan	88	−	6	=	82
5.	J. W. Barber	86	−	2½	=	83½
6.	W. W. Read	88	−	4	=	84
7.	H. Dennis..	92	−	7	=	85
8.	H. F. Turner	88	−	2½	=	85½
	R. S. Bain..	90	−	3½	=	86½
10.	H. W. D. Soper	91	−	3	=	88
11.	G. C. Proctor	90	−	2	=	88
12.	Clare Smith	94	−	4½	=	89½

There were twenty competitors, but the windy weather was against low scoring.

In the *Cornhill Magazine* for July Mr. A. E. W. Mason continues his novel "The Broken Road," while the opening chapters of "Wroth," a story of the Byronic period, are contributed by Agnes and Egerton Castle. Mr. Arthur C. Benson also begins a causerie under the title "At Large." "A Girl of the Reform Bill," by S. G. Tallentyre, contrasts domestic life in 1830 with that of to-day. Dr. W. H. Fitchett, in the first of three articles "Amongst the Mutiny Cities of India," revives the great memories that cling about Delhi. In "My Cousin the Bookbinder," an imaginary monologue, time 1824, Mr. E. V. Lucas shows us Elia through his kinsman's eyes. Canon Barnett writes on "The Recreation of the People," and Major G. F. MacMunn, D.S.O., R.F.A., on "Outlaws of Yesterday," telling how the Boers have now determined to fulfil their destiny under the British flag, and throwing many sidelights on the course of the war. In "The Personality of Edward VI." Sir Clements R. Markham, K.C.B., touches on a theme that has long escaped true appreciation.

Bank Rate of Discount.

Oct. 19th 1906	6%
Jan. 17th 1907	5%
April 11th 1907	4½%
„ 25th 1907	4%

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During the year ended 31st March 1906, Relief was granted in 29 cases to the amount of £876 7s. 6d.

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Moorgate Place, London, E.C. GEORGE COLVILLE, *Secretary.*

The Accountant
Law Reports

VOL. XXXVI.—NEW SERIES. SATURDAY, JANUARY 5, 1907.

Note as to the references in the following Reports. L.R.—Law Reports; Ch.D.—Chancery Division; K.B.D.—King's Bench Division; W.N.—Weekly Notes; T.L.R.—Times Law Reports; L.J.—Law Journal Reports; L.T.—Law Times; S.J.—Solicitors' Journal.

Bankruptcies and Insolvencies.

COURT OF APPEAL.

December 13.

(Before VAUGHAN WILLIAMS, FLETCHER MOULTON, and BUCKLEY, L.JJ.)

Re **Brind.**

Bankruptcy—Bankruptcy Notice—Judgment on Claim and Counter-claim in favour of two Plaintiffs and in favour of two other Persons, Defendants in Counter-claim—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 4, *subsec.* 1 (*g*).

Appeal from a receiving order made by one of the registrars. An action was brought by Percy Allen and W. Stanley Garner against the debtor for £100 money lent. Defendant set up a counter-claim against the two plaintiffs and also against two other persons, James Allen and Ernest Allen. Judgment was given in favour of the plaintiffs on the claim and counter-claim for £106 11s. 7d., and £135 16s. 1d. costs, and in favour of the two other Allens on the counter-claim for £210 11s. 8d. Upon this judgment the bankruptcy notice was issued requiring the defendant to pay to James Allen and W. S. Garner the amount of their claim and costs and to pay to James Allen and Ernest Allen the amount of their costs. The debtor failed to comply with the requirements of the bankruptcy notice, and a petition was presented against him upon which a receiving order was made. It was contended for the appellant that a counter-claim has the same effect as a cross-action, and therefore the judgment in this case, though in form one judgment, was in substance two judgments, requiring separate sums of money to be paid to separate sets of persons, and a bankruptcy notice founded on two judgments is bad: *Ex parte Argentine Goldfields; re Low* (39 W.R. 181; 1891, 1 Q.B. 147).

JUDGMENT.

The Court allowed the appeal, holding that a judgment for the payment of one sum to one set of persons and of another sum to another set of persons was not one judgment, but two, and that a bankruptcy notice could not be properly founded upon it.

(51 S.J. 133.)

Company Law.

COURT OF APPEAL.

December 17.

(Before VAUGHAN WILLIAMS, FLETCHER MOULTON, and BUCKLEY, L.JJ.)

Re **The Goldfields of Matabeleland, Lim.**

Appeal for Compulsory Winding-up Order.

Appeal by Mr. P. Lindley, a shareholder, holding 175 fully-paid shares, from the refusal of the Vacation Judge to make a compulsory order to wind up, the company being in voluntary liquidation with a view to reconstruction.

The appeal came before their Lordships early in the term, but was postponed for the attendance and cross-examination of a Mr. J. Seear, a managing director of the company, and a Mr. Simpson, the voluntary liquidator. As a result of such cross-examination—a somewhat unusual proceeding before the Court of Appeal—the Court came to the conclusion that a case for investigation had been elicited, and the Official Receiver was directed to convene a meeting of shareholders and issue proxies in order that the shareholders might have an opportunity of again expressing their opinion as to the mode of liquidation, having regard to the further evidence that had been adduced.

The report of the chairman of that meeting—the Official Receiver—was now before the Court. Persons present or representing 176,000 shares voted for the continuance of the voluntary liquidation, those in favour of a compulsory order representing 44,000 shares only.

Counsel in support of the appeal proceeded to argue that the scheme for reconstruction was *ultra vires*, but

majority of the Court held that subject to be irrelevant. Lord Justice Fletcher Moulton pointed out that as the liquidator had been appointed for a particular purpose—namely, to carry out the scheme of reconstruction, and not merely to wind up the company, and that therefore he considered the discussion of the scheme to be pertinent to the main question before the Court.

A further point was raised as to misrepresentation, inasmuch as it was alleged that the shareholders had not been informed that a company which was being formed as a necessary part of the reconstruction scheme was intended to be registered in Rhodesia, but after some discussion the objection fell through.

JUDGMENT.

Lord Justice Vaughan Williams, having stated the facts, said that the shareholders had decided by a large majority in favour of the continuance of the voluntary liquidation, and there was nothing in his opinion to justify that Court in refusing to carry out the wishes of the majority, and the appeal must therefore be dismissed. The cross-examination showed good reason for the application, and the appellants were entitled to their costs.

Lord Justice Fletcher Moulton regretted that he had to come to the same conclusion, because he felt it was one of those cases which Section 8 of the Act of 1890 was passed to cope with. If a compulsory order had been made the Official Receiver would probably have made a report to the Court following upon *Ex parte Barnes*. His decision was based principally upon two reasons, one being that creditors, who were largely represented, preferred voluntary liquidation, and the other that the shareholders had been given a chance to reconsider their position.

Lord Justice Buckley said he was also of the same opinion, though regretting the shareholders' decision. Had he considered that public justice demanded a compulsory order the Court would not hesitate to make it. He pointed out that if the scheme of reconstruction were objected to shareholders had their remedy under Section 138 of the Act of 1862, which was now available.

(Reported by W. H. Terry, Esq., Barrister-at-Law.)

CHANCERY DIVISION.

December 14.

(Before KEKEWICH, J.)

Butler *v.* Northern Territories Mines of Australia, Lim.

Company—Memorandum of Association—Promoting new Company—Underwriting Shares—Ultra Vires.

This was a motion by the plaintiff on behalf of himself and all other shareholders of the defendant company to restrain the company from carrying out a proposed agreement for the purchase of certain mines, the question being whether the company in so doing were going beyond their memorandum of association. The proposed agreement was that the defendant company should acquire an option to purchase the Williams Fancy Mine, situate at Berringa, Ballarat, Australia; the consideration was to be £500 for the option, £12,500 in 24,000 fully-paid shares of 10s. each in a new company to be formed, and £49,500 in cash. The new company was to be formed in England with a nominal capital of £80,000 divided into 160,000 shares of 10s. each. The defendant company was to sell to the new company the benefit of the option, the consideration being the repayment of the £500 and the expenses in connection with the acquisition of the option and of the formation of the new company. The new company was to make an issue of 128,000 shares of 10s. each, which would provide £64,000, and which was to be appropriated as therein mentioned. The defendant company were to underwrite the whole of the 128,000 shares in consideration of a commission of £6,400 and the allotment to itself of 8,000 fully-paid shares in the new company. The defendant company were to obtain sub-underwriting for 64,000 shares as therein mentioned, and the 128,000 shares were to be offered for public subscription with certain prior rights of allotment to the new company and to the shareholders of the defendant company. The plaintiff contended that the above agreement was not within the memorandum of association of the defendant company. The objects of the company as defined by the memorandum were (*inter alia*) (*a*) to acquire land, mines, minerals, and other properties and grants, concessions, claims, and options in any part of the world; (*b*) to purchase the business of the Northern Territories Mining and Smelting Company, Lim.; (*c*) to acquire, purchase, manage, and carry on business as merchants, bankers, capitalists, financiers, and to carry on all kinds of financial, trading, and other similar operations; (*g*) to promote or form any company having objects similar to those of the defendant company, with power to pay the expenses thereof or to provide the capital by taking shares therein; (*h*) to make payments by the issue of shares in the defendant or any other company; (*n*) to subscribe for, take, acquire, hold, sell, and give guarantees by way of underwriting in relation to the shares and securities of any company. It was argued on behalf of the plaintiff that the memorandum did not authorise the defendant company to carry out, as a principal or primary object, a financial operation such as the proposed agreement.

JUDGMENT.

Mr. Justice Kekewich, in giving judgment, said that the defendant company carried on the business of a mining company in the Northern Territories of Australia. They now proposed to purchase another mine not in the Northern Territories and to pay for the outlay by means of shares in a newly-formed company. Was that within the powers of the memorandum? Two cases had been referred

to—one before Mr. Justice Swinfen Eady—*Stephens v. Mysore Reefs Mining Co.*—who, in his judgment, quoted a well-known passage from Lord Justice Lindley's judgment in the case of *In re German Date Coffee Company* (20 Ch.D. 188), and he applied that principle to the case before him, which, however, was quite different from this case, and he held that the scheme proposed in that case was not authorised by the memorandum. The other case was *Pedlar v. Road Block Gold Mines*, in which Mr. Justice Warrington differed from Mr. Justice Swinfen Eady; but the learned Judge was there dealing with a different memorandum from that before Mr. Justice Swinfen Eady, and he held that the proposed agreement was within the memorandum. In the present case there was no such main object as there was in the case before Mr. Justice Swinfen Eady. His Lordship then dealt with the objects of the company as set forth in the memorandum, and said that it was impossible to say that the company was not carrying on a mining business, and assuming that it was carrying on a mining business, it had power under clause (*g*) to promote or form a company having objects similar to those of the defendant company. On the narrowest construction of the memorandum they were entitled to do that. Then there was clause (*n*), which empowered the company to subscribe for shares by way of underwriting in companies other than mining companies. This clause therefore enabled them to do what they proposed to do. It seemed to his Lordship that the defendant company were empowered by the memorandum to promote and subscribe for shares in any company whether a mining company or not, and therefore they were entirely within their powers in carrying out the proposed agreement.

(23 T.L.R. 179.)

Income Tax.

CHANCERY DIVISION.

November 28.

(Before KEKEWICH, J.)

Shrewsbury *v.* Shrewsbury.

Husband and Wife—Separation—Allowance—Income Tax—Right of Husband to Deduct—Not on Account of Past Payments—Income Tax Act, 1842 (5 & 6 *Vict. c.* 35), *s.* 158—*Income Tax Act*, 1853 (16 & 17 *Vict. c.* 34), *s.* 40.

This was a special case stated by an arbitrator for the opinion of the Court as to whether the defendant was entitled to deduct income-tax from an annual allowance made by him to his wife, the plaintiff. By an agreement dated the 27th of July 1896 it was agreed that the plaintiff and defendant should live apart, and that the defendant should pay to the plaintiff during their joint lives an allowance of £4,000 a year clear of all deductions, such allowance to be paid quarterly in advance, the first payment to be made on the 25th of March 1896. Since that date the plaintiff and defendant have lived apart. In or about the year 1900 it was agreed between the plaintiff and defendant that the said allowance should be reduced to £3,000 per annum, but it was afterwards disputed how long such reduction should continue. In 1904 an action was commenced by the plaintiff claiming payment of the sum of £4,913, alleged by her to be due in respect of arrears of the allowance under the said agreement. By the consent of both parties, a judgment or order of the Court was taken on the 11th of November 1905, whereby all further proceedings in the action were stayed upon the terms, *inter alia*, that the plaintiff was entitled to the full sum of £4,000 per annum as from the 8th of September 1903, and that the defendant should pay the arrears of annuity due. The parties could not agree on the amount of the said arrears, and it was referred to an arbitrator to take the account. The defendant claimed that the arbitrator in taking the account should allow him a deduction in respect of income-tax, although he (the defendant) had never made such a deduction from any sum paid by him on account of the allowance. The arbitrator thereupon stated this special case, and asked the opinion of the Court as to whether the allowance was and is payable by the defendant subject to deduction in respect of income-tax, and whether he (the arbitrator) was bound to allow to the defendant out of every instalment which has become due income-tax at the rate payable at the time when such instalment became due. For the defendant it was urged that he was entitled to deduct income-tax not only from the arrears found to be due by the arbitrator, but also that before paying such arrears he was entitled to deduct in respect of all payments made by him to the plaintiff on account of the allowance. For the plaintiff it was contended that deductions for income-tax could only be made in respect of the allowance at such times as it became payable, as was provided by section 158 of the Income Tax Act, 1842, and that, therefore, the claim of the defendant to deduct in respect of past payments should be disallowed. In the course of the argument the following cases were cited: *Chadwick v. Pearl Life Insurance Co.* (1905, 2 K.B. 507; 53 W.R. Dig. 70), *Warren v. Warren* (43 W.R. 490), *Gleadow v. Leetham* (31 W.R. 269; 22 Ch.D. 269), *Barry v. Smart* (50 S.J. 376, 615; 1906 1 Ch. 768, 2 Ch. 358).

JUDGMENT.

Kekewich, J., in giving judgment, said that section 158 of the Income Tax Act, 1842, provided that the duty should be deducted "at such times in each year as the said sums shall be payable to the person entitled thereto," and this, it was contended on behalf of the plaintiff, meant that unless the tax was deducted at the time the allowance became due and payable it could not be deducted at all. The phrase in question could not be taken in that way. It only meant that the legal rights should be ascertained at such times, that the right of action in respect of that duty was ascertained at that time, and that if the duty was not paid it could be sued for

as on that day. It had also been argued that the words "such payment" in section 40 of the Income Tax Act, 1853, meant annual payment, and that an annual payment was not completed until the last instalment was paid. A careful consideration of section 40 and the judgment of Bowen, L.J., in *Goslings v. Blake* (37 W.R. 774, 23 Q.B.D. 324) did not tend to support this argument. Therefore, the arbitrator, in taking the account, ought to allow to the defendant income-tax in respect of the amount of the arrears of the allowance now remaining unpaid for each year according to the rates of the duty then chargeable, but not in respect of past payments made by the defendant.

(51 S.J. 100.)

Miscellaneous.

CHANCERY DIVISION.

December 13.

(Before PARKER, J.)

Mrs. Pomeroy, Lim. v. Scalé.

Goodwill—Name of Firm—Assignment of Business to Company—Goodwill and exclusive right to use of Name.

This action was brought by a company, the successor in business of another company of the same name, which took over the busness of a hygienic complexion specialist formerly carried on by the defendant at 29 Old Bond Street, London. The defendant was Mrs. Jeannette Shepherd Scalé, the wife of Mr. James Bernard Scalé, and she claimed to have been descended from an ancestor called Pomeroy, and to have changed her name from Scalé to Pomeroy. The principal object of the action was to obtain an injunction to restrain the defendant from carrying on business as a complexion specialist under the name or style of Jeanette Pomeroy or Mrs. Pomeroy, or any other style of which the name Pomeroy formed part, this being alleged to be contrary to the terms of the purchase of the business from her by the private company into which she then turned her business. That was in 1896, and a conveyance was then prepared, if not executed, by which the defendant purported to transfer the leasehold premises in Bond Street where the business was carried on and "all "the goodwill of the said business with the exclusive right "to use the name of 'Mrs. Pomeroy' as part of the name "of the company, and to represent the company as carry-"ing on the business in continuation of the said firm of "Mrs. Pomeroy and in succession thereto." It was said that this conveyance had been lost and was never executed. The question whether this was so or not and the questions what was the real agreement between the parties and the effect of it were really the points on which the decision of the case turned, but many witnesses on other points were called on both sides, and the trial lasted nearly three days. The case has been already before the Court upon an application for an interlocutory injunction. See 22 *The Times* L.R. 795.

JUDGMENT.

Mr. Justice Parker, without calling on plaintiffs' counsel to reply, gave judgment for the plaintiffs. In the course of his judgment, his Lordship said that, although the case was an important one, he had had ample opportunity of coming to a conclusion on both the law and the facts. When a person carried on business in a trade-name not his own and sold the goodwill with the exclusive right for the purchaser to use that trade-name, he could not afterwards trade under that name in competition. As Vice-Chancellor Wood said in *Churton v. Douglas* (Johnson, 189):—"When "you are parting with the goodwill of a business, you "mean to part with all that good disposition which "customers entertain towards the house of business "identified by the particular name or firm, and which may "induce them to continue giving their custom to it. You "cannot put it anything short of that. That the name is "an important part of the goodwill of a business is obvious, "when we consider that there are at this moment large "banking firms and brewing firms and others in the metro-"polis which do not contain a single member of the indi-"vidual name exposed in the firm." After referring to *Levy v. Walker* (10 Ch.D. 436) and *Townsend v. Jarman* (1900, 2 Ch. 698), his Lordship said he could conceive cases, though there was no satisfactory evidence that this was one, where a trade-name was so identified with the business that without express words as to exclusive use there might be liability if the vendor used the name in a competing business. Certainly a vendor might by express bargain preclude himself from carrying on business in his own name. Assuming the name of Mrs. Pomeroy to have been so associated with the defendant as to be her name in 1896 when she sold to the old company, though the evidence was far short of that, yet she could confer the right of user on the company and preclude herself from using it for business purposes. The facts were short of proving that for all practical purposes her name was Mrs. Pomeroy, but his Lordship had come to the conclusion that she had precluded herself from using that name in business. He found as a fact that she had executed the conveyance of which the draft had been produced, although the execution or non-execution of it was not of importance for the decision of the case, for the true bargain between the parties was expressed in the draft which had been produced, and the defendant had, by taking and enjoying the consideration for which she sold on the terms of the draft of what was referred to as a conveyance in the agreement filed at Somerset House, precluded herself from denying the bargain. The words used imported an obligation on the defendant not to use Pomeroy as a trade-name or part of it in any business competing with the business sold. His Lordship did not think any other meaning could be attached to the word "exclusive." Having regard to what he had said and to what had occurred at previous stages of the action, it was unnecessary to deal with the mass of evidence before him. His Lordship would not be justified in finding that the defendant was guilty of any fraudulent intention, but he thought that she had not done sufficient to prevent the possibility of there being confusion amongst the customers of the old company or such members of the public as took interest in such a business. His Lordship accordingly granted an injunction to restrain the defendant from carrying on business as a complexion specialist under the name or style of Jeanette Pomeroy or Mrs. Pomeroy, or any other style of which the name Pomeroy formed part. It was not alleged that the defendant had solicited customers, and she gave some of the undertakings as to using recipes, &c., which had been given by her at an interlocutory stage of the proceedings.

(23 T.L.R. 170.)

Law Reports.

Bankruptcies and Insolvencies.

KING'S BENCH DIVISION.

December 13.

(Before VAUGHAN WILLIAMS, FLETCHER MOULTON, and BUCKLEY, L.JJ.)

Re **Smiles.**

Bankruptcy—Bankruptcy Notice—Final Judgment—Summons for leave to enforce an Award—Order giving leave to sign Judgment—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 4, *subsec.* 1 (*g*)—*Arbitration Act,* 1889 (52 & 53 *Vict. c.* 49), *s.* 12.

Appeal from the refusal of one of the registrars to issue a bankruptcy notice. The appellant had obtained an award in an arbitration for the payment to him of the sum of £28 10s. In pursuance of section 12 of the Arbitration Act, 1889, he took out an originating summons asking for leave to enforce the award in the same manner as a judgment or order to that effect. The Master, instead of making an order in the terms of the summons, made an order giving the appellant leave to sign judgment for £28 10s. The appellant signed judgment for £28 10s. and then applied to the Bankruptcy Court for the issue of a bankruptcy notice founded on this judgment. The matter was referred to one of the registrars, who refused leave to issue the notice, holding that the judgment was not a final judgment within the meaning of section 4, subsection 1 (*g*), of the Bankruptcy Act, 1883.

JUDGMENT.

The Court dismissed the appeal, holding that the judgment in question was not a final judgment on which a bankruptcy notice could be founded. There was no power under section 12 of the Arbitration Act, 1889, to turn an award into a judgment, as had been done in this case. Under that section the Court cannot do more than give leave to enforce an award in the same manner as a judgment. It is quite different from the provisions of ord. 36, r. 50, dealing with references before the official referees, which gives the referee the same power to direct that judgment be entered for any or either party as a Judge of the High Court. The order of the Master giving leave to enter judgment of the award was made without jurisdiction, and whatever might be the effect of that order, the so-called judgment entered thereunder was not a final judgment.

(51 S.J. 132.)

Company Law.

CHANCERY DIVISION.

December 11th.

(Before WARRINGTON, J.)

Re **Rowland and Marwood's Steamship Co. (Limited and Reduced).**

Company—Reduction of Capital—Sanction of Court—Lost Capital—Special Reserve Funds—Bulk of Loss Written Off Capital Account—Companies Act, 1877 (40 & 41 *Vict. c.* 26), *s.* 3.

Petition. This was a petition by the company for the sanction of the Court to a reduction of the capital of the company. The company was incorporated in 1890 with a capital of £275,000 divided into 25,000 shares of £11 each. The company had issued 22,010 of its shares, and the sum of £10 per share had been paid up thereon. Out of the profits earned by the company reserve accounts for underwriting and insurance had been set aside to the amount of nearly £6,000. By special resolution of the company duly passed and confirmed at extraordinary general meetings thereof held respectively on the 19th of September and the 10th of October 1906, it was resolved: "That the capital of the company be reduced from £275,000 divided into 25,000 shares of £11 each, to £175,000 divided into 25,000 shares of £7 each, and that such reduction be effected by cancelling capital which has been lost or is unrepresented by available assets to the extent of £4 per share upon each of the 22,010 shares in the company's capital which have been issued and are now outstanding, and by reducing the nominal amount of all the shares in the company's capital from £11 to £7 per share, so that such reduction shall not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital." Previously to the passing of such special resolution paid-up capital of the company to the extent of £88,040 and upwards had been lost or was unrepresented by available assets. The petitioners stated that the company was carrying on a profitable business. The loss was entirely due to the depreciation in value of the company's ships, and it was proposed to charge the greater portion of the loss against the Capital Account. They referred to the decision of the Court of Appeal in *Re Hoare & Co.* (*Limited and Reduced*) (53 W. R. 51; 1904, 2 Ch. 208), where the loss was apportioned between the general Reserve Fund and the Capital Account. In the present case the reserve funds were special funds set aside in reference to the Underwriting and Insurance Accounts. The attention of the Court was also called to *Re Direct Spanish Telegraph Co.* (31 S.J. 142, 35 W. R. 209, 34 Ch. D. 307), where the entire loss was thrown on capital, although there was reserve fund.

JUDGMENT.

Warrington, J., said this was a petition for the reduction of capital. It was necessary for him to say a word on one point. The company was a shipping company owning steamships. The amount of the reduction which it was sought to effect was the amount by which the present real value of the fleet was less than that shown in the last Balance Sheet of the company. It was proposed to deal with this loss by writing the greater part of it off the Capital Account and by taking a small sum of about £650 out of the balance standing to the credit of the Profit and Loss Account. The company was now and had been earning considerable profits, out of which they had created two special reserve funds—viz., the Reserve Underwriting Account and the Reserve Insurance Account. Both these funds were created for the particular purposes mentioned in the affidavit of the chairman of the company, and the directors thought it desirable to retain the amounts now standing to the credit of these funds without attributing any part of the loss to these funds. The question was whether he ought to sanction this having regard to the fact that these funds were to be left intact. He had been referred to *Re Hoare & Co. (Limited and Reduced) (supra)*, which was a case where a company had lost a large amount of capital, but it had a general reserve fund consisting of undis tributed profits. Buckley, J., had thought that as this reserve fund represented assets of the company it could not be said that the company had lost capital until the reserve fund was exhausted. The Court of Appeal, however, held that the proper mode of construing the Companies Act, 1877, was to read the two expressions "lost capital" and any capital "unrepresented by available assets" in section 3 as two distinct things, and if it was shown that the company had lost capital it was not necessary to consider whether it was unrepresented by available assets. The real point in that case was whether in the discretion of the Court the proposed scheme could be sanctioned which was to debit the loss rateably against the Reserve Fund and the Capital Account, attributing to the reserve more than its rateable proportion. The Court accordingly gave its approval to that scheme. In the present case it was not proposed to charge any portion of the loss against the reserve funds. Having regard to the decision of the Court of Appeal in *Re Hoare & Co.*, his Lordship thought he was justified in sanctioning the proposed reduction, although no part of the reserve funds was touched. These funds were created for special purposes which still existed, and, looking at the matter from a business point of view, he was of opinion that the company was only doing what a prudent and honourable man of business would do in dealing with his own property. He therefore sanctioned the petition, although no part of the reserve funds was touched,

(51 S.J. 131.)

CHANCERY DIVISION.

December 18.

(Before WARRINGTON, J.)

Re **Furriers' Alliance, Lim.**

Company—Winding-up—Deadlock—Just and Equitable—Companies Act, 1862 (25 & 26 *Vict. c.* 89), *s.* 79.

This was a petition presented by a shareholder for an order to wind up the above company on the ground that it was just and equitable within the meaning of section 79, sub-section 5, of the Companies Act, 1862, that the company should be wound up. The company was incorporated in 1901 with a nominal capital of £27,000 divided into 25,000 ordinary and 2,000 preference shares, all of £1 each. No preference shares had been issued; of the ordinary shares 12,005 had been issued, of which 6,000 were held by the petitioner or by persons who were trustees for him or who were under his control, and 6,000 were held by a Mr. Friedeberg, who, together with the petitioner, were appointed the first directors of the company by the articles; the remaining five shares were held by certain persons in single shares, and two persons holding one share each supported the petition; as to the other three shareholders, it was said that they would, in an emergency, support the opposition to the petition, but they did not appear. The articles of association of the company, which were a modification of Table A, provided, by article 13, that every share should confer one vote; by article 15, that the number of directors should be not less than two, nor more than three—two to be a quorum; by article 16, that the petitioner and Mr. Friedeberg were to be the first directors and to retain office as long as they held the necessary qualifications; and, by article 18, that the directors should have power to appoint any other person to be a director at any time before the company's ordinary general meeting in 1903, but so that the maximum number be not exceeded; "any "casual vacancy occurring in the board of directors shall "be filled up by the company in general meeting." The two directors failing to agree in the carrying on of the business of the company, the present petition was presented. For the petitioner it was said that there was an absolute deadlock, as the two directors could not agree on any single subject. The company could not be carried on under such conditions. The Court had jurisdiction under the "just and equitable" clause to wind up the company, which would be in the interest of all the shareholders and of the company as a whole. In *Re Sailing Ship "Kentmere" Co.* (1897, W.N. 58) the company was perfectly solvent. Justice could only be done by dissolving the company and realising the property.

JUDGMENT.

Warrington, J., after stating the facts and referring to the material articles said he came to the conclusion that

under these articles there was power to appoint a third director in the circumstances which existed in this case. At present the petitioner and Mr. Friedeberg were the directors of the company; there had never been more than two, and each had a special agreement with the company. Under his agreement, Mr. Friedeberg was to look after the books of the company and receive a salary. The petitioner, under his agreement, was to be managing director for five years from the 28th of August 1901, the date of the incorporation of the company. His term of office had therefore expired on the 28th of August 1906. He also had an option to apply for a further 2,000 shares in addition to his holding of 4,000 shares, which option he had duly exercised, so that he held 6,000 shares in all at the present time. Some little time previous to the date at which his office as managing director was to expire the petitioner made advances to his co-director with a view of getting his agreement renewed and of having the terms of the same revised as regards his salary. His advances were not favourably received, and in March 1906 he was told he had better make his arrangements elsewhere. A great deal of correspondence had been read, and his Lordship said the result of it all was to show that the two directors were unable or unwilling to get on together in managing the affairs of the company. To that extent there was what he might call a deadlock between the two; as to the relative merits of the so-called deadlock it was not necessary for him to say anything. One thing, however was quite clear, which was, that unless the directors adopted a more reasonable frame of mind it was impossible that they could manage this company satisfactorily. Assuming that to be so, was it a ground under the just and equitable clause for winding up the company? It was admitted that that clause had in recent years been given a wider meaning than before. It had been held that a winding-up order could be granted as being just and equitable on grounds which were not *ejusdem generis* with the grounds mentioned in the four preceding sub-sections of section 79. For example, a winding-up order could be made under that clause if the substratum of the company had disappeared, or if it could be shown that it was not reasonably practicable to carry on the business of the company upon the terms on which it was intended it should be carried on; just as in cases under a similar clause in the Partnership Act, if it was not reasonably practicable for the business of a private partnership to be carried on in accordance with the terms on which the partnership was constituted, the partnership might be dissolved. But, assuming the Court was justified in extending the words "just and equitable" to that extent, did the facts of the present case bring it even then within those limis? Was it not reasonably practicable for the business of the company to be carried on, having regard to the constitution of the company? In the case of a partnership, if there were an absolute deadlock between the two partners, it might be said that the business could not be carried on; but in the case of a company it was different. In the case of a partnership there was no means by which one partner was able to control the other. In the case of a company, where two directors could not agree, there was an authority which could be invoked—namely, the authority of the majority of the shareholders of the company. And when one director held substantially one-half and his co-director the other half of the shares (though that was not an exactly accurate statement in the present case, for there was one vote over, which might be a casting vote) there was an authority to which both had agreed by the constitution of the company to submit—namely, the authority of the majority, which might only be one vote. It seemed, therefore, to him that the deadlock to which he had referred was not a deadlock at all; it was only a temporary deadlock. It was possible under the articles to appoint an additional director, and then there might be no deadlock at all and the business of the company could go on. Even, therefore, if it were right to say that a winding-up order might be made under the sub-section where it was not reasonably practicable that a company could carry on its business, the present case was not a case coming within those limits. The petition must therefore be dismissed with costs.

(51 S.J. 172.)

Miscellaneous.

KING'S BENCH DIVISION.

December 18.

(Before BRAY, J.)

The General Council of the Bar *v.* The Commissioners of Inland Revenue.

Stamp Act—Receipt—Counsel's Fees—Stamp Act, 1891 (54 & 55 *Vict. c.* 39), *s.* 101, *First Schedule.*

This was a special case stated by the Commissioners of Inland Revenue, and raised the important question whether the acknowledgment given by counsel on payment of his fees must be stamped. The facts, and arguments of counsel, in so far as material are set out in the considered judgment of Bray, J. The First Schedule of the Stamp Act, 1891, specifies the instruments upon which duties are payable, and *inter alia* upon a "Receipt given for or upon payment of money amounting to £2 or upwards." Section 101 of the Act defines receipt as including "any note, memorandum, "or writing whereby any money amounting to £2 or "upwards, or any bill of exchange or promissory note for "money amounting to £2 or upwards, is acknowledged or "expressed to have been received or deposited or paid, or "whereby any debt or demand or any part of a debt or "demand of the amount of £2 or upwards is acknowledged "to have been settled, satisfied, or discharged, or which "signifies or imports such acknowledgment."

JUDGMENT.

Bray, J., in the course of his written judgment, said: The question was whether, when counsel after payment of a fee of £2 or upwards places his initials or name against the fee on his brief or at the foot of a statement of fees, the document was liable to stamp duty as a receipt. The question was important, as it might make all receipts for voluntary payments liable to stamp duties. [His Lordship read the material parts of the Act set out above.] The contention of the Crown was that the documents which he had described were acknowledgments that money had been received. The appellants contended that they were not acknowledgments at all within the meaning of section 101. He did not feel any difficulty on the point as to whether they were acknowledgments. It was argued that the words "signifies or imports any acknowledgment" only applied to the second branch of the section and not to an acknowledgment of money received. He did not agree with that contention. Why did counsel put his initials or signature opposite the brief? He did so because he was asked by the solicitor to do so in order that the solicitor might satisfactorily prove to the taxing-master or to his client or the Court, or perhaps to the Law Society, that he had paid the fees. He in effect asked the counsel to acknowledge the payment of the fees. Ord. 65, r. 27 (52), said that no fees to counsel shall be allowed (by the taxing-master) unless vouched by his signature. It was a voucher. What was a voucher but an acknowledgment that money had been received: *Attorney-General v. Carlton Bank* (1899, 2 Q.B. 158). It was further argued that it was not really an acknowledgment, but a document only intended to be shown by one officer of the Court—*i.e.*, a solicitor—to another officer of the Court—namely, a taxing-master. That was still an acknowledgment of money received. But assuming it to be an acknowledgment of money received, was it an acknowledgment of money received within the meaning of section 101? The appellants argued that the words were very wide; they must have some limitation, and it would be reasonable to limit them to cases where receipt of money had relation to a legal obligation; and that counsel's fee was an *honorarium* paid without any legal obligation. There was no doubt that counsel's fee was an *honorarium: Re Le Brasseur & Oakley* (1896, 2 Ch. 487). The language of the present Act was repeated from the Act of 1870, but was not the same as that of the Act of 1815. *Tomkins v. Ashby* (6 B. & C. 541) was decided under that Act, and the ground of the decision was that all the words, including the word "paid," imported the discharge of an obligation, and that the Act did not include in its definition of the word "receipt" an acknowledgment that money had been deposited to be accounted for. Undoubtedly, under the Act of 1815 the acknowledgments given by counsel were not liable to stamp duty, because it was held that a receipt to be within that Act must have been given in discharge of a debt antecedently due; but section 101 of the Act of 1891 was differently constructed and contained additional words, and particularly the word "received," and was obviously intended to include cases which were not within the previous statute. He could not doubt that the words were wide enough to include the present case. A counsel's fee was within the words "any money," and as he had held that the writing was an acknowledgment, it seemed to him that it was an acknowledgment of money received if the word "received" was construed in accordance with its natural meaning. The natural meaning was the manifest meaning unless there was something to show that it was not. It was argued that some limitation must be placed on the words, otherwise they would include a note or memorandum made by a man in his own book. That case, however, was clearly excluded because the schedule said "receipt given." That meant it must be a document given by the person receiving the money to some other person, presumably the person whom he had paid. Then it was argued that the word "received" must be read as connoting an obligation created or discharged, because the words "deposited or paid" in the same part of the section connoted such an obligation. He did not see that. The Legislature had used, in addition to the words "deposited and paid," a word, "received," which did not, according to its natural construction, connote an obligation. *Primâ facie* it had chosen that word intentionally, and he did not think he ought to construe it as connoting an obligation created or discharged unless there was some manifest reason for doing so. Was there such a reason? It was said that if he did not so construe it it would make all receipts for charitable gifts and subscriptions, and for presents, liable to duty. He was inclined to think that that was so if the documents were given as receipts, but the person making the gift or sending the subscription need not require a receipt, and in the cases of a present rarely did so. If he did so it was because he looked upon the transaction for some reason as a business transaction; it might be because he had to account to someone else and he wanted a voucher—*i.e.*, a business document. If so he did not see why the Legislature should not have intended to make those documents liable to stamp duty like a very large number of other business documents which are included in the schedule. It was said that it would include the case of a boy at school writing to thank his parents for sending him money if it amounted to £2 or upwards. He thought the Attorney-General's answer to that was sound, that if the letter was written as a record of the receipt of the money it ought to bear duty, otherwise probably not, because such a letter, as a rule, would not be intended as a receipt. On the whole, it seemed to him that he was bound to give the words "any money acknowledged to have been received" their natural meaning, and that according to their natural construction they included the present case. His judgment, therefore, must be for the Commissioners.

(S.J. 159.)

Law Reports.

Accountancy and Auditing.

WEST HAM POLICE COURT.

January 9.

(Before the Stipendiary, R. A. GILLESPIE, Esq.)

Boggis-Rolfe *v.* Patterson.

Public Health Act, 1875, sec. 247—Audit of Local Authority's Accounts—Refusal by Borough Accountant to execute Declaration—Application by District Auditor for Penalty.

Adjourned summons.

Mr. Naldrett conducted the case on behalf of the Local Government Board auditor, and Mr. Stephen Lynch appeared for the Borough Treasurer.

Mr. Naldrett, in opening the case, said the proceedings were taken under section 247 of the Public Health Act. which provided, for the purposes of audit, that the auditor could require the accounts to be shown and a declaration made of the correctness of the same. If the officer of the Council, in this case Mr. Patterson, refused, he was liable to a penalty of 40s. Mr. Boggis-Rolfe was appointed auditor by the Local Government Board on July 28th 1904. On June 23rd 1906 an advertisement appeared in the *Stratford Express* giving formal notice of the audits. The accounts to be audited were those for the year ending March 31st 1906. On July 11th the audit was opened at the Education Offices, and the Borough Treasurer submitted his accounts. The audit had been adjourned from time to time, and still stood adjourned until January 10th. The accounts were very large, the expenditure amounting to £320,000. On September 11th the assistant auditor, Mr. Hughes, verbally asked Mr. Patterson for a declaration, and the Treasurer said he would not give it. On September 17th the Borough Treasurer said he would like to have time to consider the matter, and the auditor adjourned the audit until October 1st. Meanwhile, on September 19th, a request in writing to make a declaration as required by the Act was sent to Mr. Patterson. On October 1st Mr. Patterson could not attend, and the audit was adjourned till October 15th, and on that day the Local Government Board auditor, Mr. Boggis-Rolfe, and the Treasurer were present, and the auditor handed to Mr. Patterson a written request to make a declaration. He refused, and asked to be allowed to refer to the Finance Committee. The audit was then adjourned till November 5th, and the auditor stated in the meantime that he would have to take proceedings if Mr. Patterson persisted in his refusal to make a declaration. A similar notice to the others, about the adjourned audit, was served on Mr. Patterson, and finished up by asking him to make or sign a declaration of his accounts. Meanwhile the auditor communicated with his solicitors, who wrote to Mr. Patterson asking, before they took further proceedings, whether he still declined to make a declaration. That was on October 24th, and on November 1st Mr. Patterson replied saying that he regretted and was somewhat surprised that Mr. Boggis-Rolfe had instructed them to take proceedings. He had done all in his power to assist him. He had no objection to making a declaration to their client at the next audit. His Worship would see that the Treasurer was quite willing to sign future accounts, and it seemed very odd that he should refuse to sign these accounts. On November 5th the auditor and the Borough Treasurer attended the audit, and a written requisition for a declaration was handed to the Treasurer, but he again declined to make the declaration, and a few days later wrote to the auditor's solicitors saying that he would put the matter before the Mayor, who was to be elected in a few days, and ask his advice in the matter. From that time onward no declaration had been made, and the audit still stood adjourned. The matter was one of considerable importance, as the accounts were large, involving an expenditure of upwards of £320,000. He contended that, if the auditor required a declaration, the county officer—who in this case was Mr. Patterson—must give it. Mr. Patterson seemed willing to sign a declaration for future accounts, and it seemed inexplicable that he would not sign one now.

Mr. Gillespie: Do you admit that the audit is still in progress, Mr. Lynch?

Mr. Lynch: No, sir.

You contend it is concluded?—Yes, sir.

Mr. Naldrett: These accounts have never been allowed or signed by the auditor. The audit stands adjourned until January 10th. The letter written to the auditor on October 1st asked for a provisional certificate so that the Council could make a claim to the Local Government Board, the audit having been adjourned.

Mr. Horace Douglas Boggis-Rolfe then gave evidence. He said he was auditor for the Essex audit district, and was appointed in July 1904 to audit accounts under the Education Act. He duly gave notice of the audit for July 11th, and the authorities inserted an advertisement in the *Stratford Express*. Witness opened the audit at the Education Offices, and the Borough Treasurer (Mr. Patterson) attended before him. The audit had been adjourned from time to time, and now stood adjourned from November 5th to January 10th. On September 17th he had an interview with the Borough Treasurer, and asked him to sign a declaration. Witness explained to him that he had a form of declaration drawn up for his convenience, but Mr. Patterson was not willing to make the declaration. He asked for time to consider the matter, and witness adjourned the audit until October 1st. On September 19th witness gave him notice of the adjourned audit by registered post.

Mr. Lynch: You might take it that, from time to time, it was properly adjourned till November 5th.

Witness, continuing, said he adjourned the audit till November 5th. It was not convenient for Mr. Patterson to attend on October 1st, and witness adjourned it till October 15th, when the Treasurer attended, and witness handed him a written requirement to sign a declaration. He was not then willing to make or sign a declaration, but walked out of the room and said he wished to consult his Finance Committee. Witness then adjourned till

November 5th. The declaration had not yet been made. The accounts were very very large, and required a large amount of examination. The usual practice was to close an audit by signing a certificate in the Ledger. He had not done so for these accounts.

Cross-examined by Mr. Lynch: Witness denied that he had completed the audit.

But you have gone through all the books?—Might I explain? When I am satisfied that the accounts are completed, then I can sign.

I put it that the only thing that is required to complete the audit is your signature?—I desired a declaration by Mr. Patterson.

Has anything been done to complete the audit since September 17th?—No.

He objected to sign the declaration on the ground that no good purpose could be served?—He did say so.

You wanted it because it would be useful in getting declarations from other authorities?—No; that was Mr. Patterson's suggestion. I said that it would make it easier for me to get other declarations if a gentleman in Mr. Patterson's position gave me a declaration.

This is one of the biggest authorities?—No. I think the Guardians might spend more. (Laughter.)

Mr. Lynch: You know much more about the Guardians than I do. Mr. Patterson said you were endeavouring to use him as a lever to get declarations from other officials. Is that not so?—He suggested that.

This is the first time you have asked Mr. Patterson to sign a declaration?—It is the first time I have audited the accounts of this authority.

You have always been friends with Mr. Patterson?—Yes; there has been no friction whatever.

He has always given you the greatest assistance?—That is so.

You told Mr. Patterson that asking for a declaration cast no reflection on him?—I did. I had no reason to believe that Mr. Patterson would present to me incomplete accounts.

You still hold the same views?—Yes, but I cannot understand the resistance to such a reasonable request.

You know that in the future he is willing to sign the declaration?—Yes.

Mr. Giliespie said he could not understand why Mr. Patterson was willing to give his signature to future accounts and not to these. He did not think there was the slightest imputation on his character. The auditor said it was necessary for the purpose of the audit that he should have the declaration, and he was entitled to ask for it.

Mr. Lynch said he would submit that the declaration was not wanted for the purpose of the audit. He suggested that the audit was completed, all that was required being the signature of the auditor.

Mr. Gillespie: But the auditor says differently.

Mr. Lynch said that the auditor only wanted the declaration because it would be of service to him to use as a precedent.

Mr. Lynch: Is it customary to ask for these declarations?

Mr. Boggis-Rolfe said he used his own discretion. He had on more than one occasion obtained a declaration.

Mr. Lynch thought that the mere asking for the declaration was casting a stigma on the Borough Treasurer. (To Mr. Rolfe): Do you intend making it a practice to ask for these declarations?—No, I don't; only if it is necessary.

Mr. Gillespie: He has a right to use his discretion.

Mr. Naldrett at this point announced that he was quite prepared to accept a declaration, either in the book or a separate document.

Mr. Gillespie: I have a very strong opinion that no insult was intended, and I should like to see this case come to an amicable close.

Mr. Patterson then went into the witness-box. He said that when he was asked for the declaration he asked the auditor if there was any ground for suspicion, or was there any matter that had not been satisfactorily cleared up at the audit? Mr. Rolfe said that there was no suspicion, and added that it was not necessary to have the declaration in his case. He (Mr. Patterson) then asked why it was wanted, and the auditor, in a rather irritated manner, said, "My dear fellow, I tell you it is not necessary in your case." Witness said, "Then why ask for it?" and the auditor replied, "Because it will assist me materially in obtaining it from other authorities." Witness concluded, when told by the auditor that the accounts were satisfactory, that the audit was finished, and, as a matter of fact, the financial statement had been stamped with a hundred guinea stamp. He was quite prepared to swear on oath that the accounts were correct, and if asked at the beginning of the audit for the declaration he would have given it; but he maintained that in this instance he was asked for it in order that the auditor might strengthen his own hands.

Mr. Gillespie: I don't think Mr. Patterson quite realises the position of the auditor and the fact that he has absolute discretion in the matter. He (the magistrate) must hold that the audit had not been completed, for the books had not been signed by the auditor.

Mr. Lynch asked that the magistrate would adopt the powers given him under section 16 of the Summary Jurisdiction Act.

Mr. Naldrett: It is much more serious than that.

Mr. Gillespie said he thought the point had been an almost technical one from start to finish, and that this was not a case in which to inflict a penalty.

Mr. Naldrett: I suggest, sir, that it is very serious. A matter of £320,000 is involved.

Mr. Gillespie: I shall dismiss the summons on payment of costs.

Mr. Naldrett: That, sir, is treating the matter as a trivial offence.

Mr. Gillespie said he had given his decision, and on Mr. Patterson's giving his promise to sign the declaration he dismissed the summons on payment of ten guineas costs, in addition to the Court costs.

(*Stratford Express.*)

Bankruptcies and Insolvencies.

COURT OF APPEAL.
December 13
(Before VAUGHAN WILLIAMS, MOULTON, and BUCKLEY, L.JJ.)

In re **A Judgment Debtor;** *ex parte* **The Judgment Creditor.**

Bankruptcy—Act of Bankruptcy—Bankruptcy Notice—"Final Judgment"—Order Enforcing an Award—Arbitration Act, 1889 (52 & 53 *Vict. c.* 49), *s.* 12—*Bankruptcy Act,* 1883 (46 & 47 *Vict. c.* 52), *s.* 4, *subsec.* 1 (*g*).

This was an appeal by the creditor against the refusal of Mr. Registrar Hope to issue a bankruptcy notice against the debtor. The parties had referred certain differences which had arisen between them to arbitration and the umpire gave his award on March 5 1903. On August 2 1906 the creditor took out, under Order 54, rule 4 F, and section 12 of the Arbitration Act, 1889, an originating summons, entitled "In the Matter of an Arbitration and In the Matter of the Arbitration Act, 1889," that the award might be enforced by entering judgment in accordance therewith, and asking for the costs of the application. On August 10 1906 the Master ordered that the award be enforced and that the judgment be entered in accordance therewith. On September 11 1906, after reciting the order of August 10 1906, it was ordered that the creditor recover against the debtor £28 10s. and costs of the application. The creditor then applied to have a bankruptcy notice issued on this judgment. Mr. Registrar Hope declined to issue the bankruptcy notice on the ground that the judgment was not a judgment in an action within section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883, the material portions of which were as follows:—"A debtor commits an "act of bankruptcy in each of the following cases:— . . . "(*g*) If a creditor has obtained a final judgment against "him for any amount, and execution thereon not having "been stayed, has served on him . . . a bankruptcy "notice under this Act, requiring him to pay the judgment "debt in accordance with the terms of the judgment, or to "secure or compound for it to the satisfaction of the creditor "or the Court, and he does not . . . either comply with "the requirements of the notice or satisfy the Court that "he has a counter-claim, set-off, or cross demand which "equals or exceeds the amount of the judgment debt, and "which he could not set up in the action in which the "judgment was obtained." The creditor appealed.

JUDGMENT.

The Court dismissed the appeal.

Lord Justice Vaughan Williams said that it had been laid down in several cases that in construing section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883, the words of the section should be construed strictly. The question to be considered in the present case was whether the refusal of the learned Registrar to issue a bankruptcy notice was right or wrong. His Lordship thought that the decision of the learned Registrar was quite right. In his opinion the judgment did not fall within section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883, at all. The judgment was really based upon the provisions of section 12 of the Arbitration Act, 1889, which provided that an award on a submission might, by leave of the Court or a Judge, be enforced in the same manner as a judgment or order to the same effect. His Lordship did not think that the words of section 12 were at all equivalent to the words of Order 36, rule 50:—"Subject to any such order as last "aforesaid the referee shall have . . . the same power "to direct that judgment be entered for any or either party "as a Judge of the High Court." Section 12 did not give the successful party under the award any further right than that of enforcing the award as if it were a judgment. In those circumstances, his Lordship had great doubt whether there was any jurisdiction to enter the award which was brought before the Master as a judgment, but, even if there were, he thought that it was not a judgment within section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883.

Lord Justice Moulton was of the same opinion. His Lordship said that in order to avail himself of section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883, a creditor must have obtained a final judgment. In the present case a document had been produced which purported to be a judgment, but in his opinion that document was bad on the face of it. It purported to be "In the Matter of an "Arbitration and In the Matter of the Arbitration Act, "1889," and clearly it was not an arbitration in an action, but outside the Court altogether. The powers of the Court in reference to such an arbitration were defined by section 12 of the Arbitration Act. That section did not give any power to turn an award into a judgment. It gave an award the same *status* as a judgment for the purpose of enforcement, but left it an award. In his Lordship's opinion, therefore, there was no jurisdiction for the direction that judgment should be entered, which turned an award into a judgment. The only other question was whether this application was a proceeding for enforcement. In his opinion, an application for a bankruptcy notice was not a proceeding for enforcing a judgment. It was the commencement of proceedings of far wider effect and in no way fell within section 12 of the Arbitration Act, 1889.

Lord Justice Buckley was also of opinion that the award was not a final judgment within section 4, sub-section 1 (*g*), of the Bankruptcy Act, 1883.

(23 *Times Law Reports*, 214.)

Company Law.

CHANCERY DIVISION.
December 11, 18, and 19.
(Before WARRINGTON, J.)

Re **Cyclists' Touring Club.**

Company—Alteration of Memorandum—Objects—Main Purposes—Dissentient Minority—Duty of the Court—Companies (Memorandum of Association) Act, 1890 (53 & 54 *Vict. c.* 62), *s.* 1, *subsec.* 5, *sub-clauses* (*a*) *and* (*d*).

This was an application under the Companies (Memorandum of Association) Act, 1890, asking the Court to

sanction an alteration of the memorandum of association of the Cyclists' Touring Club, so as to broaden the basis of the club and extend the advantages and privileges of its membership to motorists. The facts, so far as material, are set forth in the judgment below. For the applicants it was said that the rapid growth of motoring had had a prejudicial effect on cycling, that the pastime of cycling had fallen off, that the membership had fallen from over 60,000 to about 30,000. Unless the alteration in the memorandum of association were sanctioned the membership would still further fall off, so that it would be impossible for cyclists to retain the privileges they at present possessed. If the members were increased, not only would the old privileges be maintained, but it would be possible to grant increased privileges applicable to the whole body of tourists. The opponents were not called on to argue.

JUDGMENT.

Warrington, J.—This was an application under the Companies (Memorandum of Association) Act, 1890, asking the Court to make an order confirming an alteration of the memorandum of association of the Cyclists' Touring Club, which was incorporated in 1881 as a company not formed for profits under section 23 of the Companies Act, 1867, with a memorandum and articles of association. The objects for which the club was established were (1) to promote, assist, and protect the use of bicycles, tricycles, and other similar vehicles on the public roads; (2) to provide legal assistance for the riders of bicycles, tricycles, and other similar vehicles in the enforcement of their rights to use the public roads; and (3) to promote the comfort and safety of its members while touring on bicycles and tricycles by collecting and furnishing the necessary information for the planning and conduct of cycling tours, and by publishing road books and in other ways. The club had passed and confirmed a special resolution to extend the objects of the club. The proposed alteration was to substitute the following: (1) to promote, assist, and protect "the pastime of touring by the use of vehicles or otherwise"; (2) to provide legal assistance to tourists in protecting their rights and interests; and (3) to promote the comfort and safety of its members while touring by collecting and furnishing information and in other ways. The council determined that it was desirable in the interests of the club to introduce this alteration, which was brought forward at the general meeting on the 9th of March 1906. It was common ground that the main object was not the admission of tourists whether on foot or upon horse-drawn vehicles, but the admission of the motoring public. After a debate it was decided by a majority of three to circularise the members of the club by sending out voting papers. As the result of this poll it was found that 10,443 members voted in favour of the alteration and 2,214 against it, being 12,657 votes out of a total membership of over 30,000, so that practically one third voted in favour of the change. Having obtained this vote, the council proceeded to summon the necessary meeting to pass the special resolution at Newcastle. This meeting was held on the 14th of September 1906, and was only attended by eighty-three members, of whom seventy-seven voted in favour of the resolution, one against, and five members abstained from voting. By the constitution of the club voting by proxy was not allowed. The confirmatory meeting was held in London, and was attended by 368 members. On a show of hands, 210 voted in favour of the resolution, 157 against, and one member abstained from voting. A poll was thereupon demanded, and of the 210 only 173 voted in favour of the change, and 156 against it, so that the resolution was carried by a majority of under twenty. A considerable amount of evidence was gone into. His Lordship said it was impossible for him to say whether the view of those who favoured, or the view of those who opposed, the proposed alteration was the correct one. It must be entirely a matter of opinion. There was a conflict of evidence whether on the whole it would be more in the interests of the club that the alteration should be made, or that the club should remain as it was. It seemed to him, on the whole, that even if he had power to sanction the alteration he would not be justified in doing so in the exercise of his discretion, partly because he was not satisfied that it was in the interests of the club generally, and he was bound by the Act to have regard to the interests of all, and partly because he could not take the votes given at the meetings as really representing the views of the club as a whole. The real ground, however, upon which he should refuse to sanction the alteration was that, in his opinion, the alteration did not come within the Act at all. It was said by the applicants that it came within either sub clause (*a*) or sub-clause (*d*) of section 1, sub-section 5. It was argued that by enlarging the membership the business of the club could be carried on more economically and more efficiently, but that contention was not sound. He thought that what was contemplated by sub-clause (*a*) was an alteration which would leave the business of the company substantially what it was, merely altering the mode of carrying it on, so that it could be done more economically and more efficiently. The proposed alteration would, however, alter the business of the club completely, and cause the promotion of the benefits of cyclists to cease to be the main object of the club. It would substitute in its place the promotion of the benefits of tourists generally, and of cyclists only incidentally. As regards sub-clause (*d*), it might be said that the proposal was to combine the sport of touring on cycles with the sport of touring on motors. That was not the true effect of the proposal. Having regard to the business of the club, which was to cater for a special class, the proposal was to cater for the whole class of tourists, of whom the present body of members of the club—namely, cyclists—formed only part. It was intended to enlarge the business by including in it the power to grant privileges to a larger class of persons. But, assume that it was right that they should combine the two businesses, was it made out that the new business could be conveniently carried on in connection with the present business of the club. In his opinion, that view was not made out, and it was not possible to take that view on the evidence of the applicants themselves. It seemed to him that one of the objects of the club was to protect cyclists against motorists. If the two businesses were combined, cyclists would only protect themselves against motorists by proceedings against members of their own class. The protection of cyclists could not be combined as a business with that of the protection of motorists. The application must be refused, with costs.

(S.J. 172.)

Law Reports.

Accountancy and Auditing.

CHANCERY DIVISION.

January 28.

(Before WARRINGTON, J.)

Society of Accountants *v.* Goodway and others.

Alleged Infringement of Accountancy Designation—The Title "Incorporated Accountant."

Mr. Warmington, K.C., Mr. Rowden, K.C., and Mr. Kirby appeared for the plaintiffs; Mr. H. Terrell, K.C., Mr. Ashton Cross, and Mr. Duka represented the defendants.

Mr. Warmington, in opening the case, said the action was brought by the Society of Accountants and Auditors, which was a company incorporated under the Companies Acts, the word "limited" having been omitted under a licence from the Board of Trade, and the defendants were Messrs. Goodway and Fawcett and the London Association of Accountants, Lim. The plaintiffs sought to be protected against the carrying on of a business by Mr. Goodway under the style and name which was the style and name adopted by the members of the plaintiff company. No doubt his Lordship would remember something of the case, as it had been before him on an interlocutory application for injunction.

His Lordship said he remembered something of it.

Mr. Warmington said the London Association of Accountants, Lim., were joined as defendants because it was through them and by their advice and suggestion that the style had been adopted by Mr. Goodway and had been adopted also by others who were members of that Association. It was an action of a kind with which the Court had been familiar for very many years, but he agreed it was attempted to be applied in this action to a somewhat new state of facts. The plaintiffs' Society felt very strongly upon the matter, and they based their claim, so far as authority was concerned, upon a case which was on all fours with the one which would be presented—namely, a case decided in the Scotch Courts, where the judgment of the Lord Ordinary, which was in favour of the plaintiff, was affirmed on appeal. He did not think the principle was at all new. In fact it was quite old, and was clearly set forth in the decision of the House of Lords in *Reddeway v. Banham*, commonly known as the *Camel Hair Belting* case. The most convenient course would be that he should open the case by giving his Lordship the documents which were relevant, and also calling attention to these two authorities, and then he should trouble the Court with a mass of evidence, as the phrase he was seeking to protect was that of "Incorporated Accountants." The first impression was rather against such a claim, and it would have to be proved by an immense amount of evidence. In opening the case he would merely indicate what the evidence would be, except so far as it depended upon documents.

His Lordship said he understood the phrase which the plaintiffs sought to protect was that of "Incorporated Accountants."

Mr. Warmington said that was so. The plaintiffs' Society was established on 29th December 1885, and was registered under section 23 of the Companies Act, 1867. The Society was the Society of Accountants and Auditors, and their objects provided a central organisation and to do all such things as were necessary to elevate the status and to procure the advancement of the interests of the profession; to provide for examination and the issue of certificates; to give the members the facilities for reading papers and to assist necessitous members. The Society was not entitled to divide any profit among the members either by way of dividend or bonus. The members were divided into two classes—Fellows and Associates. No person was eligible for admission as a Fellow unless it was shown to the satisfaction of the Council that he had been continuously in practice as an accountant for not less than seven years prior to the date of application, or, having passed the examination necessary for the admission of Associates, had been continuously in practice for not less than three years. No one was eligible for admission as an Associate who was not a public accountant, or a principal clerk of an accountant, or an accountant in the service of the Government of the United Kingdom, or who had not passed such an examination as was prescribed by the Council. Article 26 provided for the retirement from or forfeiture or suspension of membership; and any member might resign on giving notice to the Council, and should, *ipso facto*, cease to be a member in the event of his subscription being six months in arrear, or in the case of becoming bankrupt or making an assignment for the benefit of creditors, but the Council had discretion to reinstate such member without an entrance fee. Then the rules provided for the appointment of a Disciplinary Committee, who had power to suspend any member where it was proved to their satisfaction that he had been guilty of any discreditable act or conduct. Further, if a member was considered guilty of dishonourable conduct the Committee had power to call upon him to give an explanation of such conduct, and to state its opinion in the form of a report, which report was to be laid before the Council, and if that body recommended the exclusion of the member a special meeting of the Council had to be convened, when such member might by a vote of two-thirds of the Council be excluded or otherwise dealt with, as the Council should think fit; but such decision might be revoked or modified subject to such terms and conditions as the Council should

deem fit. Then followed provisions for the constitution of the Council. The Council were empowered to take cognisance of any matters brought before it affecting the status of the members, or the representation of the Society. Article 100 provided for the establishment of a reserve fund. The object of the Society was to secure that its members should, in the first instance, be, and should continue to be, persons of good and honest character; they should not be guilty of any dishonourable act, and, so far as their professional capacity was concerned, they were to be efficient. Therefore for that purpose, as was hinted in the articles, the Society had twice a year examinations of students who desired to become candidates for the position of Associate. The examinations were Preliminary, Intermediate, and Final. There was a *bonâ fide* and serious attempt to obtain a body of men whose membership of the Society should pass current, as regards efficiency and good character. In 1886 the Society resolved to recommend to its members that they should adopt as a distinguishing title the phrase "Incorporated Accountants," and that was again urged in the report for the year 1888. From 1887 to 1891 advertisements were placed by the Society in the legal papers bearing this title, and in 1889 the Society started and published an official organ called *The Incorporated Accountants' Journal*, which had a circulation of over 2,000 a month. Besides that there were a number of affiliated Societies, such as the Manchester and District Society of Incorporated Accountants, and the like. In consequence of the steps that were taken in and prior to 1905 the members of the plaintiff Society had adopted the title, and were known as "Incorporated Accountants," and that title or designation was used in the public press and in the report made to Parliament on municipal trading. In consequence of the agitation which, for some little time before the Committee was appointed, had taken place various corporations had obtained Acts of Parliament, and they either of themselves introduced into the Acts, or they had to accept in the Acts, a clause dealing with the auditorship of their accounts in a particular way. The name also appeared in the Post Office Directory. So things continued until 1905, and in January of that year the London Association of Accountants, Lim., was formed. That was a company limited by guarantee. The company was really formed with a view of setting on foot a society whose members might use the phrase "Incorporated Accountants," and thereby obtain the benefit of the status which the members of the plaintiff Society had obtained. Having read the prospectus of the defendant Society, and certain correspondence which had passed between them and Mr. Tutill with reference to the admission of that gentleman as an Associate, who was told the privileges which a member would enjoy—namely, that, of being described as "Incorporated Accountants, Lon. Asson."—he pointed out that there was no Society of Accountants, Chartered or Incorporated, at the time the Act was passed other than the Chartered Accountants and the plaintiff Society. Another example of how the business of the defendant Society was transacted was this (and he was bound to say they were very courageous): A circular was issued by Mr. Lewis, the Secretary, on 3rd September 1906, in which it was stated that in a Bill before Parliament the members of the Society were specially recognised as proper persons to audit Trust Accounts, &c., but the Bill in question provided that "the auditor shall be either a member of the "Institute of Chartered Accountants or a member of the "Society of Accountants and Auditors, or the manager of "a bank."

Mr. Terrell said he could not see what this had to do with the case, but, supposing he was wrong, it was merely introduced by way of prejudice.

Mr. Warmington said the defendant Goodway was a member of the Society, and what he did was only a sample of what might be expected would be done under the circumstances previously mentioned. He issued circulars soliciting orders for the collection of debts, in which he described himself as an "Incorporated Accountant, Lon. Asson." If Mr. Goodway carried on business under the style which was likely to lead people to believe he was a member of the plaintiff Society he did that Society great harm, and would bring it into disrepute, and according to the law of the country no one was entitled to do such a thing.

His Lordship said he understood the business of the plaintiff Society was to promote the welfare of accountants, and their contention was that they were less able to do that in consequence of the defendants having adopted that title.

Mr. Warmington said that was his contention, as the status of the members of the plaintiff Society would be lowered both as regarded character and efficiency. In *Reddeway v. Banham* the House of Lords distinctly laid down the principle that nobody had any right to represent his goods as the goods of someone else. In the case of the *Society of Accountants, Edinburgh v. The Corporation of Accountants, Lim.*, which was tried in the Scotch Courts, the defendants were restrained from using letters such as "C.A.," which would lead persons to believe they were members of a Society incorporated by Royal Charter, and under that decision he submitted the defendants ought to be restrained from using the phrase "Incorporated Accountants." There was clearly a business carried on, and all he had to prove was that the designation "Incorporated Accountants" had been used; that it was used by the members of the plaintiff Society, and was taken by the public as representing a member of that Society, and he also suggested that in the way in which the defendant had

used the words he had infringed the plaintiffs' rights. When the defendants' company started it had a whole field of selection of names so as to keep clear of what had already been taken possession of by Chartered Accountants and by the plaintiff Society; it knew when it was formed that the words "Incorporated Accountants" had been in use by the members of the plaintiff Society, but they said such members had not the exclusive use. When the defendant Society was registered to whom could the words "Incorporated Accountants" refer? It could not refer to the defendants, as they were not in existence. He hoped to establish that the secondary meaning of the phrase was, and always had been, membership of the plaintiff Society, and upon these grounds he asked the Court to grant the injunction asked for.

Mr. James Martin, examined by Mr. Rowden, said he was a partner in the firm of Martin, Farlow & Co., accountants, of 4 King Street, Cheapside, E.C., and had been Secretary of the plaintiff Society for over twenty years. He was well acquainted with the history and formation of the plaintiff Society. The Society had been in the habit of publishing a year-book, and he produced the one for 1905-6. The membership of the Society had become very numerous; at the time of the commencement of the action it was over 2,000 and was now 2,150. The members consisted of Fellows and Associates. In 1886 a system of examinations was started; this had been continued half-yearly down to 1906, and a syllabus of the examinations was issued half-yearly. A certificate was granted on the passing of each examination referred to in the syllabus. This certificate was regarded as of considerable value. Care was taken in the selection of the members of the Society, each proposed member having to be nominated by three members. Precautions had been taken to maintain a high state of discipline, a Disciplinary Committee having been appointed, which inquired into any complaint of any member of the Society. As a result of the care thus taken, at the present time the members had a place of confidence in the estimation of the public. Directly after the incorporation of the Society a meeting was held, when the question of the description of the members was discussed, and it was considered that the term of "Incorporated Accountant" was the best which could be adopted to describe in a concise manner those who were members of the Society, and that phrase had been continuously used down to the present time. In April 1889 the Council issued a report to the members, which was adopted at the meeting held on 23rd May. Nine district Societies in England and Wales had been formed of Incorporated Accountants; the first was formed in January 1886 at Manchester, and there were also branches in the Colonies. In the title of every one of these Societies the phrase "Incorporated Accountant" appeared. A person could not be a member of a district Society until he was already a member of the Society of Accountants and Auditors, which was called the "parent Society." Anyone ceasing to be a member of the parent Society would *ipso facto* cease to be a member of the branch Society. In September 1887 he inserted notices in the legal papers about the Society on the instructions of the Council, and these were continued for about four years. Since 1889 the Society had continuously issued a journal. There was also a Students' Society connected with the Society, and witness produced a book containing the lectures delivered before the Society, which book was published annually. In Lisle's "Encyclopædia of Accounting," which was a recognised standard work, reference was made to the plaintiff Society as "Incorporated Accountants."

Mr. Terrell objected to the book being received in evidence, unless the person who wrote the article was to be called.

His Lordship ruled that the book could not be put in evidence.

Mr. Rowden contended that the book was clearly evidence of reputation, but his Lordship declined to alter his previous ruling.

Examination continued: Notices and advertisements had been inserted in the press containing the expression "Incorporated Accountants," and of these witness produced a large number.

Mr. Terrell objected to the press cuttings being put in as evidence of reputation, but his Lordship overruled the objection.

Examination continued: He was able to say that in some cases the communication which appeared in the press did not come from the Society; many of them were editorial comments, and others were reports of meetings held in different parts of the country. In the London *Gazette* of 7th November 1900 the names of the members of the plaintiff Society appeared as "Incorporated Accountants," and when appointed as trustees they were also so described. Witness produced a large bundle of correspondence, in which the members used these words on their notepaper, and said that in the audited accounts of public companies the name also appeared, and in support of this statement he produced several copies of the *Financial Times*. In each case the person so referred to was a member of the plaintiff Society. After the formation of the defendant company in 1905 he received many complaints from members of plaintiff company that other persons were using the term "Incorporated Accountant," and among other complaints one was one about Mr. Goodway. A person who issued a document in the terms that this gentleman had done would not be admitted as a member of the plaintiff Society. A case had been brought to his notice where

persons who had ceased to be members of the Society had announced themselves as members, and in one instance a person who gave evidence in a County Court and described himself as a member, although his name had been removed from the roll, was complained about.

Mr. Terrell objected to the evidence and the objection was allowed.

Examination continued: The plaintiff Society had spent £5,478 4s. 11d. on examinations to the end of 1905, and £680 in 1906. Down to the time he heard of the defendants' Association he had only known of one or two solitary instances where other persons used the term "Incorporated Accountant," and in each case steps were at once taken to stop it, and successfully so.

What did you understand the term "Incorporated Accountant" to mean?

Mr. Terrell objected to the question.

Mr. Rowden: Had the expression any general understanding in the profession?—Yes.

What was it?—It was considered in the profession to refer exclusively to the members of the plaintiff Society.

Cross-examined by Mr. Terrell: The plaintiff Society was incorporated in 1885; by the end of 1886 it had a number of members, but from memory he could not say how many. Down to the end of 1886 none of the members were subjected to any examination. The first examination was in June 1887. Some of the original members were members now; in fact, he himself had not undergone any examination. For the first five years the examinations did not amount to one hundred a year, but it must not be forgotten that the number of persons admitted was small. He first heard from the Secretary of the defendant Society that the members were going to describe themselves as "Incorporated Accountants" on the 10th July 1905. This letter was placed before his Council. He did not suggest in reply that the use of the term would lead to confusion. All he said was that the Council reserved all rights in the matter. This was done on the advice of the solicitors. He could not give the exact date when he heard that the members of the defendant Society were going to use the term "Incorporated Accountants," but after the issue of the circular the matter was placed in the hands of the solicitors. Being asked as to his opinion as to why he had not stated that the plaintiff Society claimed the exclusive use of the word, witness appealed to his Lordship as to whether he was bound to answer the question, and was informed that he was not.

Cross-examination continued: No one would be allowed to join the plaintiff Society if he issued a circular similar to that of Mr. Goodway's. The whole tone of this circular would tend to bring discredit to any Society to which the person who issued it was attached. The circular might be described as a touting circular. He objected to the statement contained in it that the charge for collecting a debt was 6d. It was not a circular which any respectable accountant ought to issue. He objected to the statement that no solicitors' fees were charged, though the statement that all moneys received would be handed over at once was very satisfactory. He would not say that some of the members of the plaintiff Association did not collect debts, though he had never heard that the charge for doing so was 6d. Several circulars issued by members of plaintiff Society being shown to witness, he declined to call them "touting" circulars, and stated that he was not aware that their members served writs and the like. This kind of work was unusual, but he could not say it was improper. He would not say that Chartered Accountants did collect debts; it was the business of the Council to investigate any complaint brought before it, but an occasion had never arisen. Personally, he would not issue a circular having reference to the collection of debts, but he declined to say that it was discreditable conduct. Some of the members of the plaintiff Society did not use the term "Incorporated Accountants," as they were not in a position to do so. He could not say what proportion of the members were in a position to use the term. The Discipline Committee had power to remove members from the list, and this power had been put in force during the last year. There were five Associations of Accountants in the United Kingdom incorporated by charter—three in Scotland, one in England, and one in Ireland—and the members were described as "Chartered Accountants," which meant that they were members of an association incorporated by charter. At the date of the incorporation of the defendant Society the plaintiffs were the only Society of Accountants in England incorporated otherwise than by charter. The term "Incorporated Accountants" was adopted for the purpose of giving a designation to each individual member. Several instances having been put to the witness where accountants of public companies who were members of the plaintiff Society were not described as "Incorporated Accountants," the further hearing was adjourned.

On the hearing being resumed on Tuesday, January 29th, Mr. James Martin was further cross-examined by Mr. Terrell. He said in some cases where members of the Society were appointed as trustees they were not described as "Incorporated Accountants" in the London *Gazette*. Thirty-eight cases were put to witness, and he admitted he was not in a position to deny that no description appeared in the *Gazette* in these cases. Of the 2,018 members whose names appeared in the year-book for 1905, 1,502 were in England, 129 in Scotland, 56 in Ireland, and the remainder in the Colonies. He was not aware that out of the 1,502 many followed other occupations besides that of accountants. Some, no doubt, held important public appoint-

ments, but these posts had been obtained through possessing a knowledge of accounts. He would not admit that in a large number of instances the members did not describe themselves as accountants on their door-plates; it might be that after a man was admitted to membership he did not go to the expense of having his door-plate altered. In 1905 the Institute of Chartered Accountants promoted a Bill in Parliament having for its object the protection of the term "Chartered Accountant." This Bill was opposed by the plaintiff Society on a question of policy, it being considered that if the Bill were passed it might lead to a monopoly of public business to members of the Chartered Institute. Plaintiff Society had never tried to obtain a charter. The Bill to which he had referred was again introduced into Parliament in 1906, but was ultimately withdrawn. He had heard it stated that the defendant Society held examinations, but had no personal knowledge of it.

Re-examined: In consequence of complaints received from members about Mr. Goodway and others, the plaintiff Society in November 1905 issued a public warning with reference to the term "Incorporated" being used by unqualified persons, and afterwards the writ was issued. Where a firm was composed of two partners, one of whom was a Chartered Accountant and the other an Incorporated Accountant, it was usual to use a common term, such as "Accountants," to describe the firm. Prospectuses did not stand on the same footing as published audited accounts; if the firm was an eminent one no description would be put after the name, though in a Balance Sheet it was usual to do so. Although members of the plaintiff Society were not always described as Incorporated Accountants in the London *Gazette* when appointed as trustees, he could give, and did, several instances where they were so described; the omission was, no doubt, due to the fact that in the form there was no separate column for the description. It was a debatable point whether persons holding municipal appointments could be said to be in private practice. Until the defendant Society came on the scene, with the exception of two cases, which had been protested against, he had never known the term "Incorporated Accountant" used by anyone except members of the plaintiff Society.

Mr. William Strachan, examined by Mr. Rowden, said he was an Incorporated Accountant and Assistant Secretary of the plaintiff Society. He had gone through the file of correspondence from the beginning of 1903 to find letters with headings on the letter paper. The number of practising members belonging to plaintiff Society in England and Wales was about 750, the total number of members being 1,619. As a result of his search he found letters from 526 members who used the term "Incorporated Accountant." Deducting that number and the mixed firms from 750 there would remain 149 who did not use the title. Many members did not practise on their own account, but were engaged as accountants' clerks.

Cross-examined: He was a partner in the firm of Martin & Farlow, and had held the post of Assistant Secretary for about eight or nine years. He had not looked for letters which did not bear any imprint, as there was no object in so doing. Of the 526, he might say that if a letter came from a firm composed of two people that would count as two, but the firm of Oddy & Ashton, of Manchester, counted only as one, as only one member of the firm was connected with the plaintiff Society.

Mr. John Gordon, examined by Mr. Warmington, said he was an accountant practising in the city of Leeds, and during the twenty-five years in which he had been in practice he had had a large business as an accountant. He was also a justice of the peace, and six years ago was Lord Mayor of the city. He was also a member of the Council of the Institute of Chartered Accountants, but was not giving evidence as representing that Society, but merely as an individual. He had known the plaintiff Society for ten or twelve years. In 1904 the members were known as "Incorporated Accountants," but he himself was known under the designation of "Chartered Accountant." Before the year 1905 he had never known the title of "Incorporated Accountant" assumed by anyone but a member of the plaintiff Society. According to his knowledge of public reputation the signification of the phrase "Incorporated Accountant" meant a member of the Society of Accountants. When Lord Mayor he appointed an auditor of his accounts, and the person so appointed was a member of the Society of Accountants. He remembered the plaintiff Society holding its annual conference at Leeds during his mayoralty, and the members were entertained by him. At this time all the members were known as "Incorporated Accountants." He should consider an Incorporated Accountant as one grade lower than a Chartered Accountant. Incorporated Accountants had a recognised status.

Cross-examined: He had been a Chartered Accountant for twenty-five years, and first heard of the title "Incorporated Accountant" at least twelve years ago, it might be fifteen or sixteen. Until the formation of the defendant company the plaintiff Society was the only association of Accountants in England that was incorporated otherwise than by charter. He called himself a Chartered Accountant because he was a member of an institute incorporated by charter. Members of a society of accountants incorporated otherwise than by charter could not properly call themselves "Chartered Accountants." If they wished to describe themselves as members of an incorporated society they might use any name they pleased. As he was not a lawyer he would rather not suggest a name by which they could be called.

Take the public at large, do you think an ordinary tradesman has heard of the plaintiff Society?—I cannot answer for London, but I can for Leeds. An ordinary tradesman would think that there was only one Incorporated Society, and an "Incorporated Accountant" meant a member of some Society other than the Chartered Institute; but tradesmen would believe, like himself, that there was only one society. He should imagine that there would be only a very few members of the plaintiff Society who did not describe themselves as "Incorporated Accountants."

Re-examined: From first to last up to the end of 1905 he had never heard any suggestion that there was more than one Society whose members called themselves "Incorporated Accountants."

Mr. Joseph Binney, examined by Mr. Warmington, said that he was Registrar of the Sheffield County Court and District Registrar under the High Court. He was admitted a solicitor in 1863, and became Registrar in 1896. During the years preceding 1905 he had considerable experience of accountants, and knew that they described themselves as "Incorporated Accountants." This description was accepted by himself and others as sufficient evidence of professional efficiency. Up to 1905 he never knew of any person using the title "Incorporated Accountant," except the members of the plaintiff Society. In the discharge of his official duties as Registrar he had, to a certain extent, to deal with accountants. There were many appointments for which accountants were candidates; sometimes they acted as arbitrators, and their professional status was an important matter in regard to the exercise of official duties. He was well acquainted with the Institute of Chartered Accountants.

Cross-examined: The Chartered Institute was the older Society. He had known the plaintiff Society since its formation in 1885. The general belief was that there was only one Chartered Society and one Incorporated Society.

Re-examined: If a person called himself a Chartered Accountant he should have no doubt as to which Society he belonged, and the same remark equally applied to an Incorporated Accountant.

Mr. John Charles Clegg, Official Receiver in Bankruptcy for the Sheffield District, said it was his duty to preside at meetings of creditors when resolutions were passed appointing trustees, and after filling up the forms they were sent to the Board of Trade, and from there forwarded to the London *Gazette*. In the case of the release of trustees it would be the duty of the trustees to send the notice; it did not go through the Official Receiver. He had had considerable experience in dealing with professional accountants, and had often come across persons describing themselves as Incorporated Accountants. This description was a sufficient guarantee of efficiency. The phrase signified that they were members of the plaintiff Society. Down to 1905 he had never heard of anyone using that designation if he was not a member of the plaintiff Society.

Cross-examined: The term "Chartered Accountant" conveyed to his mind the meaning that the person was a member of the Institute of Chartered Accountants, as he only knew of one such institution. "Incorporated Accountant" meant a member of the plaintiff Society, as he did not know of any other incorporated society. He could not say whether Sheffield tradesmen knew anything of the plaintiff Society, but they did know something about Incorporated Accountants, and if they knew there were two Societies they might be in doubt as to which Society a man belonged. He had never heard of the defendant Society until he read of the proceedings in this action.

Mr. Peter Higson, Committee Clerk in the office of the Town Clerk of the Borough of Bolton, said he first came across the expression "Incorporated Accountant" in March 1903, when the Corporation were desirous of appointing a special auditor, and an advertisement was issued by the Town Clerk. A copy of such advertisement taken from a Bolton newspaper he produced. "Incorporated Accountant" signified a member of the plaintiff Society, and was evidence of professional status.

Cross-examined: He first heard of the plaintiff Society fifteen years ago. He had never heard of the Chartered Institute, but he had heard of Chartered Accountant.

Mr. Luke J. Sharp, Official Receiver in Bankruptcy for the Birmingham District since 1883, said that when holding that office he knew of the plaintiff Society, and had always looked upon its members as persons holding a responsible position, in whom he had trust; and in recording the appointment of these gentlemen as trustees he had always added the term "Incorporated Accountant" for the information of the department of the Board of Trade, and could not understand why they were not so described in the London *Gazette*. In using the term "Incorporated Accountant" he meant to denote that the person appointed was a member of the plaintiff Society, and of a recognised legal body. He himself was a Chartered Accountant. Having been intimately connected with the legal profession, and with the accountants' profession, he never heard till 1905 of any but the Chartered Accountants and Incorporated Accountants.

Cross-examined: His son was a member of the plaintiff Society and President of the Birmingham branch. He was not aware until recently that there were five Chartered Societies. He had heard once of a man calling himself a Corporate Accountant, but what it meant he did not know. The Chartered Institute was the premier Society, on account of its age. By "Incorporated Society" he did not

understand a Society incorporated otherwise than by Charter.

Sir William Edward Murray Thomas said he had had thirty years' experience of commercial matters—such as joint-stock companies, collieries, and private properties. To a considerable extent he had come across accountants. In 1904 he was familiar with the phrase "Incorporated Accountant," and he found that people with whom he dealt were familiar with that designation: it signified a professional status, and was a professional guarantee of competence to carry on business. The phrase "Incorporated Accountant" applied to members of the plaintiff Society and to no one else. His experience applied both to London and the provinces. He had often had to employ accountants, and had employed Incorporated Accountants, as he considered them properly qualified people. Such was the experience of the business world.

Cross-examined: He only knew of one Chartered Society of Accountants. An incorporated society was a society incorporated otherwise than by charter, and that was why the members of the plaintiff Society were properly called Incorporated Accountants.

Sir William Maples (of Messrs. Maples, Teesdale & Co., solicitors, of Frederick's Place, Old Jewry) said he had had considerable dealings with accountants and with persons who employed accountants. He first came across the expression "Incorporated Accountant" about thirteen years ago, and very definitely ten years ago, when he had occasion to inquire into the status of the members of the plaintiff Society. He always recognised two Societies—one the Chartered Institute, and the other the Incorporated Society—and anyone who was not a member of either of these he should look upon as not having the necessary qualifications. Until the commencement of this action he had never heard of any but the members of the plaintiff Society calling themselves "Incorporated Accountants."

Cross-examined: The term "Incorporated Accountant" conveyed to his mind that a person belonged to a society incorporated by Act of Parliament, or by the 1867 Act, or in some definite form otherwise than by charter. As the result of his inquiries into the plaintiff Society he was familiar with its status, and he drew no distinction between "Chartered Accountant" and "Incorporated Accountant."

Mr. Monier Faithful (Messrs. Monier Williams & Robinson, solicitors) said that he had been in practice as a solicitor since 1878, and had known the plaintiff Society for about ten years. He had a good deal to do with accountants and persons employing them. Before 1905 he had constantly come across the term "Incorporated Accountant," and this description indicated that they were respectable and responsible people. "Incorporated Accountants" before 1905 signified membership of the plaintiff Society.

Cross-examined: One reason for so saying was that it was the only Society incorporated otherwise than by charter before that period. He knew of no other Society except the Chartered Accountants, the Scotch Society, and the Irish Society. He had heard of the Scotch Societies in London, but could not say whether any of the Scotch members were practising in London. He could not speak to the exact time when he first heard the expression "Incorporated Accountants," but should imagine it was some ten years ago. It was difficult to say whether he had heard of the plaintiff Society before he heard the term "Incorporated," but probably not.

Re-examined: Prior to 1905 if a person called himself an "Incorporated Accountant" he would be taken to be a member of the plaintiff Society.

Mr. Charles Granville Kekewich (Messrs. Kekewich, Smith & Kay, solicitors) said he knew the phrases "Chartered Accountants" and "Incorporated Accountants," having known the latter for fifteen or sixteen years. "Incorporated Accountant" signified to him that the persons using this description were members of a Society, to join which they had to undergo examinations, and that the Society was a younger sister of the Chartered Institute. This belief was generally shared by the public. Solicitors frequently employed accountants, and in so doing either a Chartered or an Incorporated Accountant would be accepted.

Cross-examined: When using the expression "Incorporated" he referred to the plaintiff Society. An incorporated society was generally incorporated by charter, but he understood the plaintiff Society had been otherwise incorporated, that it was a legal body with certain powers, but he could not say what form the powers might take. Chartered Accountants were well known in the city, and persons would not inquire what their charter was any more than they would inquire how the Incorporated Accountants had become incorporated. He did not suppose he had directly employed an accountant on his own account for a very long time.

Re-examined: A Chartered Accountant signified a member of *the* Chartered Society, not *a* Chartered Society. An Incorporated Accountant designated *the* plaintiff company, and not a member of *an* incorporated company.

Mr. Christopher J. Dibb, who was admitted as a solicitor in 1861, and for twenty-one years had been District Receiver in Bankruptcy for the districts of Manchester and Salford, besides being Official Receiver under the Companies Act, said he had frequently come into contact with accountants, and always understood that Incorporated Accountants were capable professional men. When a trustee was appointed if he was told the person nominated was an Incorporated Accountant he always referred to

Year-Book to verify the statement. In many respects the witness confirmed the evidence already given, as did also Mr. A. Ratcliffe Whitelock, a solicitor, of Birmingham, who had been in practice for the last thirteen years.

Mr. Charles Henry Musgrave, Assistant Secretary of the London Chamber of Commerce, said there was no Society which came more into contact with traders than the London Chamber of Commerce. He had heard the phrase "Incorporated Accountant" applied to members of the plaintiff Society for over five or six years, and this phrase, according to the received opinion of the mercantile community, denoted membership of the plaintiff Society and certain qualifications proved by examination. The accounts of the Chamber of Commerce were audited by two persons, one being a Chartered Accountant and the other an Incorporated Accountant, as both the Societies were affiliated with the Chamber. He had never heard the phrase used by anyone who was not a member of the plaintiff Society.

Cross-examined: A Chartered Accountant was a member of the Institute of Chartered Accountants. He had heard it stated in Court that a member of the Scotch Institute could describe himself as a "Chartered Accountant," but he was not aware of it before, and saw no objection to it, so long as no one else thought fit to object. He only knew of one incorporated society. If there were two incorporated societies the members might call themselves incorporated, but the senior society would be able to say that they were the incorporated society.

Mr. Thomas Henry Nordey, J.P., President of the Chamber of Commerce in Newport, Mon., and ex-Chairman of the Newport Harbour Board, said he had been in business on his own account for twenty-six years, principally connected with shipping. He had known the plaintiff Society definitely since 1891. In the business world with which he was connected the term "Incorporated Accountant" had become known to him since 1895, and the phrase signified membership of the plaintiff Society and as holding a certain commercial status.

Cross-examined: Chartered Accountant indicated a man of equal ability and a member of the Institute.

Suppose a tradesman heard mention of an Incorporated Accountant, would he connect that gentleman with some incorporated society?—He would connect it with the only association known to him.

You cannot say that ordinary tradesmen in a town know anything of the plaintiff Society?—I cannot, but I can only imagine that if a person required the services of an accountant or auditor he would make some inquiry.

Re-examined: Since 1891 he had frequently come across the phrase "Incorporated Accountant."

Mr. William Evans, Inspector-General in Bankruptcy, and previously for seventeen years Inspector of Official Receivers in Bankruptcy for England and Wales, said he had known during that time of the existence of the plaintiff Society, which he regarded as one of the two Societies to which all or most accountants of repute belonged. He had frequently come across the phrase "Incorporated Accountant," which indicated membership of the plaintiff Society.

Re-examined: If a man was described as an "Incorporated Accountant" no further question was asked at the Board of Trade. He could not say that was because it was the only incorporated society known. "Chartered Accountant" meant a member of the Chartered Institute, and his reason for saying so was that it was the only Institute he knew incorporated by charter. He had frequently heard the plaintiff Society spoken of as the Incorporated Society, but had only lately heard of the defendant Society.

Mr. Ernest Rolls Sharpe (manager of G. Smith & Co., wholesale furriers, of London, Manchester, and Glasgow) said in his business he had come across the Society of Accountants and Auditors, and amongst business men the term "Incorporated Accountant" indicated a member of plaintiff Society, and that they were men of integrity and ability.

Cross-examined: The fact that the plaintiff company was not incorporated by charter was the reason for it being called "Incorporated," in order to distinguish it from "Chartered." If there were other incorporated societies he should have his doubts whether they were entitled to use the term "Incorporated"; anyhow, they might properly be called "Incorporated Societies."

Re-examined: "Incorporated Accountant" never signified anyone but a member of the plaintiff Society,

Similar evidence was given by Mr. F. N. Whitcombe, of Smith, Son & Whitcombe, leather merchants, Camomile Avenue, Bishopsgate Street, Mr. Herman John Falcke (Director of the Salt Union, President of the Liverpool Chamber of Commerce, and Trustee of the Weaver Navigation), by Mr. George Stephen Corlett (managing director of Corlett Electrical Engineering Company, of Wigan and Newcastle), and by Mr. George Day Batson, of John Kemp & Co., proprietors of Kemp Mercantile Office.

Mr. Arthur P. Johnson, Town Clerk of the Borough of Hampstead, proved the insertion of an advertisement in various newspapers in 1891, for the appointment of a borough accountant who was to be either a Chartered or Incorporated Accountant, and said that the appointment was obtained by a member of the plaintiff Society.

Mr. A. W. Toothill, the Assistant Accountant in the office of the Clerk of the Middlesex Council, proved the receipt of several circulars, prospectuses, and letters from the defendant Society, and Mr. R. A. Tyacke, Chief Accountant of the Law Guarantee and Trust Society,

of Chancery Lane, produced a debenture prospectus issued by that society in March 1906, in which the words "Incorporated Accountants" appeared.

The further hearing was adjourned.

On the hearing being resumed on Wednesday, January 30th, Mr. Rowden said he had several other trade witnesses, but as their evidence would be the same as that already given he would not occupy the time of the Court by calling them. Having put in certain documentary evidence consisting chiefly of local Acts of Parliament relating to the appointment of borough accountants, who were to be either Chartered or Incorporated Accountants, the plaintiffs' case closed.

Mr. Terrell said he would call his evidence before addressing the Court.

The first witness was Mr. Lawrence Jones, a solicitor practising in Liverpool and London. He said he acted for Elder Dempster & Co., the African Steamship Company, and the Bank of British West Africa, and consequently had considerable dealings with accountants. He understood "Chartered Accountant" to mean a man who had been articled and passed certain qualification tests as to his fitness to be an accountant. He had not heard of any Institute of Accountants except the Chartered, but he had known men who called themselves Incorporated Accountants, though until he was connected with this case he did not know that there was any body or institute to which they belonged. From his experience of commercial people he thought the term "Incorporated" in the commercial world did not carry with it any idea of being connected with any recognised society. Until he heard of this case he was not aware of the existence of the plaintiff Society. From his knowledge of commercial men he should say the plaintiff Society was not generally known among commercial people. The term "Incorporated Accountant" did not convey to the commercial mind any connection with plaintiff Society.

Cross-examined: His own books were audited by a Chartered Accountant, and he constantly came into contact with Chartered Accountants in connection with clients' matter. During the last three years he had instructed quite half-a-dozen firms of accountants to act officially for him. He had seen the phrase "Incorporated Accountant" on letter paper several times, and believed it to mean that the person was not entitled to call himself a Chartered Accountant.

You did not take it as meaning the member of any recognised Society?—Having any tests—it was practically like a man who was a shareholder in a limited company, certainly nothing more than that. If he was not a member of a company he would be telling an untruth. I had no knowledge of the company of which he was a member.

What do you mean by saying he was not a member of any recognised company?—The only Institute or body that I know that imposes qualification tests on its members is the Chartered Institute.

Were you in Liverpool in the autumn of 1903?—I cannot recall the month, but I have been in Liverpool many times for the last ten years.

I suggest to you that the plaintiff Society held its autumnal conference in the Liverpool Town Hall on 15th and 16th October 1903?—Possibly; I am not in a position to deny or affirm it.

Do you read the Liverpool papers?—Yes. (Witness was shown two papers containing a report of the conference, but he said he had never seen the report before.)

The evidence of Mr. John Theodore Hawley, which had been taken on commission owing to ill-health, was next put in and read. This gentleman was at one time Deputy Secretary of the Bank of England, and now occupies the post of manager of the Royal Bank of Scotland. His opinion was that the term "Incorporated Accountant" was unknown to business men, and did not convey the impression that the members belonged to any recognised Society.

Mr. J. S. Hepworth, a solicitor having had twenty-five years' experience in the city of London, said he had continually come into contact with accountants in the course of his professional career. He was well acquainted with the term "Chartered Accountant," which was well recognised by business people. He assumed it meant that a man who was an accountant was a Chartered Accountant. He had occasionally noticed the term "Incorporated Accountant"; this name was not generally known among business men. He had never heard of the existence of the plaintiff Society prior to the commencement of this action. He had recommended clients to employ an accountant, and in doing so he meant a Chartered Accountant. The gentleman whom he first employed to do his books was not a Chartered Accountant; he simply called himself an accountant, and he must confess he did his work very well. He could not say whether he was an Incorporated Accountant. Although he did his work well, witness regarded him as an unqualified person.

Cross-examined: His view was that the public considered an accountant as a Chartered Accountant. He had heard the term "Incorporated Accountant" more than once, but he could not say what meaning business men gave to that expression.

Re-examined: He drew a distinction between a man who was a Chartered Accountant and one who was not. What constituted a Chartered Accountant was the passing of examinations authorised by the charter. He did not think he had heard of any other Institute of Accountants except the Chartered.

Mr. Reginald A. Melhuish, of 34 Upper Thames Street, paper maker, said that he had heard the term "Chartered Accountant," but could not say that he had ever heard of "Incorporated Accountant." So far as he could judge business men did not draw any distinction between "Chartered Accountants" and "Incorporated Accountants." Prior to the institution of the action he had never heard of the Society of Accountants and Auditors.

Cross-examined: He had not been specially brought into contact with accountants, except that he employed one four times a year to audit the books. He admitted having made an affidavit in which he stated that until the difference was explained to him he did not know there was any difference between Chartered Accountants and Incorporated Accountants.

Re-examined: Business men with whom he had spoken thought an Incorporated Accountant was the same thing as a Chartered Accountant.

Mr. Arthur Priddle, member of the Civil Service, and of the Chartered Institute of Secretaries, and also Vice-President of the defendant Association, said he became a member of the Association immediately after its incorporation. In July 1905 the question was raised as to what title should be adopted by the members of the Society. It was determined to advise the members to adopt the term "Incorporated Accountants," with the addition of the words "Lon. Asson."

In arriving at that conclusion had your Society the slightest intention to enable the members to pass themselves off as members of the plaintiff Society?—Not the slightest intention whatever.

When you came to that determination had you the Revenue Act of 1903 before you?—Yes, it was produced by the Secretary, and I read it.

Did that have any influence upon you in arriving at the determination to so advise your members?—It was the only reason.

Did you then instruct your Secretary to communicate with the plaintiff Society?—The first thing we did was to obtain some advice with regard to the matter, and after that advice was obtained, which clearly showed we were entitled to use that title, we then communicated with the Secretary of the Society of Accountants and Auditors.

It has been attempted to throw prejudice on your Society by reference to a Bill brought in by Mr. Wason; do you remember the Bill being introduced to provide for the audit of Capital Accounts of certain trusts?—Yes, the Secretary drew my attention to it.

Did you give certain instructions to the Secretary?—He said he had made inquiries and had written to Mr. Wason.

Did he afterwards show you the letter?—The letter was produced by Mr. Lewis and the substance of it was communicated to the Council.

Cross-examined: I am a clerk in the Army Inspection Department at Enfield Lock, having charge of the stores and accounts section. In my spare time I act as auditor to the Enfield Hotel and Tavern Co., and I have undertaken other work as well. I have never practised as an accountant or auditor. The first circular which was issued was submitted to me after it was drawn up. I went through it vary carefully and my opinion was asked with regard to it, and I told the Secretary that I thought it was a very good circular. The question of adopting a title for the members was first discussed informally in the early part of May. The decision to adopt the term was come to about the 10th of July. I knew then that the term "Incorporated Accountant" was being used, having seen it on printed matter.

What do you mean by that answer?—I take in the various journals connected with accountancy, and I had seen the term "Incorporated Accountants" there.

Can you give me the names of the journals?—I take the journal connected with the Chartered Accountants, and the references there are very sparse indeed with reference to Incorporated Accountants.

You know that the term "Incorporated Accountant" was a title used by other accountants?—Quite so.

You knew of the Society of Accountants and Auditors?—I knew very little of that Society. I only knew it by name.

You knew of the use of the word "Incorporated" in connection with that Society?—I assumed it was that Society.

You attached importance to the professional designation you were going to recommend to your members?—Not so much importance. The membership of the Association, in my judgment, counts for a great deal more than any title.

It was a matter of sufficient importance for you to take advice about?—That is so.

At that time did you know of any persons who used the term "Incorporated Accountants" who were not members of the plaintiff Society?—No.

Did you know there were two classes of members of the plaintiff Society?—Yes.

And you knew about their examinations?—Yes, I have heard of their examinations.

What did you mean by saying in your affidavit that there were many accountants who had no title?—They have no recognised title.

Should I be right in assuming there were Chartered Accountants and Incorporated Accountants?—Yes.

It was in your mind that you might supply a title of that class?—Of that class probably.

Several months afterwards you thought of recommending an existing title?—Not at all.

Was it your idea to take a new title?—Yes.

To take a new title?—A title we should be entitled to

use. We had nothing definite in our minds in those early months.

Will you carry your mind on a little later. Was it in your mind to recommend a new title?—It was to be one which should be distinctive of our own Society.

In what you were to recommend, did you contemplate recommending an existing title?—No.

Did you contemplate a perfectly new title?—I cannot say that.

Was it to be something between?—What we were going to recommend was something distinctive which should connect us with our own Association.

If you cannot answer my question I will pass on. Was it to be something between a wholly new title and an existing title?—That is the practical result.

The advice you took was to see how near you could go to an existing title?—Not at all.

You did take advice on the point as to how the title you were going to recommend would stand with regard to existing titles?—The question was submitted generally whether we were entitled to use such a title, and the answer was generally favourable.

You advised the addition of the words "Lon. Asson."?—Yes.

Were you advised that that would sufficiently protect the title you were going to recommend?—It was done to identify ourselves with our Association.

Throughout these deliberations you knew of the title used by the plaintiff Association?—Yes.

Have you applied for a royal charter?—Not to my knowledge. We say in the prospectus it is our intention to do so when a favourable opportunity occurs.

And the intention is still maintained?—Yes, but we have not done so yet.

Do you know of any case where your members have called themselves "Incorporated Accountants" without the addition of the words "Lon. Asson."?—Only the two cases which have been mentioned in this case—Mr. Pringle and Mr. Goodway.

Cross-examination continued: Until recently the examination was obligatory, but the Council have determined that under special circumstances it may be dispensed with. Associates are admitted on their qualifications. Three examinations have already been held. It was contemplated that entrance fees should be paid, but that has not been enforced. He was present at the Council meeting held on 3rd May 1906, but did not recollect Mr. Toothill being elected. The defendant Society had about 700 Fellows and Associates, but by far the larger number were Associates. They were very strict in exacting qualifications for Associates. A man had to show what his occupation was, what he had done, what he was doing, and to give two references and to produce any other qualifications he might have.

Re-examined: Three examinations were held last year, and he now produced the examination papers. The examiner was Mr. Grant Smith, a Chartered Accountant, of Wolverhampton. In considering the title which should be adopted the Council had the Finance Act of 1893 before them. That Act provided that an accountant was a person who had been admitted a member of an incorporated society. They could not arrive at any other two words which would accurately describe the position except "Incorporated Accountant," and that was why that title was adopted.

Mr. W. L. Crowdy, Director of the Dudley Gallery, said he had had considerable journalistic experience, having at one time been on the staff of the *Pall Mall Gazette* and the literary supplement published by *The Times*. In his business experience he had known many accountants, though he was not familiar with the various kinds of accountants in England. He understood "Chartered Accountant" to mean a man of figures, who had passed certain examinations which entitled him to keep accounts in such a condition that they were open to the inspection of anybody. Until he received a subpœna he had not heard of the Institute of Chartered Accountants.

Cross-examined: He did not say that if a man passed examinations and knew how to keep accounts and called himself an accountant that he was entitled to call himself a "Chartered Accountant." The only accountants he knew were Chartered Accountants, but whether they were members of the Chartered Institute he did not know. A Chartered Accountant was a man who had passed a serious test in figures and was a man in whom business men might place implicit confidence.

Re-examined: You say that you understand a Chartered Accountant to be a man who has passed certain tests, and that there was only one Society, but you do not know what its name is?—Exactly.

Who do you suppose the tests were imposed by?—By a Society who has a charter and who is entitled to examine.

Had you ever heard of but one such Society?—Never.

Mr. Henry George Danger, a West End solicitor, said that he was well acquainted with business affairs in the city of London. His work being chiefly of a commercial character. He had had an ordinary amount of experience of accountants, and knew of the Institute of Chartered Accountants. He had also heard the expression "Incorporated Accountant." The term conveyed to business men the idea that a man was an accountant, but not a Chartered Accountant. The common practice was to look upon two classes—Chartered Accountants and accountants, whatever that expression might cover. The term "Incor-

porated Accountant" would not convey to business men any connection with the plaintiff company.

Cross-examined: He had come across the term "Incorporated Accountant" in the London *Gazette* and on audited accounts of public companies. When a man described himself as an "Incorporated Accountant" he should take him to be a member of some body which had been incorporated.

Mr. Charles Lea (Wertheimer, Lea & Co, stationers, Worship Street) said he had done printing work for a good many accountants. The term "Chartered Accountant" in the city meant a member of the Chartered Institute. There was no general impression in the city as to the meaning of "Incorporated Accountant."

Cross-examined: Beyond doing printing work for accountants, and having had his books audited by an accountant, he had no experience of accountants. He might have seen the term "Incorporated Accountant," but there was nothing special to call his attention to any description of accountants.

Mr. H. W. Circuitt, formerly an assistant to the manager of the Union Discount Co., Lim., said in the ordinary way of business he came into contact with accountants in the city. He knew that there was an Institute of Chartered Accountants, but he had not heard of "Incorporated Accountants." This term would not convey to a city man anything in particular, but the term "Chartered Accountant" would do so. He had never heard of the Society of Accountants and Auditors.

Mr. Alfred Ridding, accountant, said on the defendants' instructions he had inspected the door-plates of accountants in the city of London whose names appeared in the year-book of the plaintiff Society. He found there were 125 Fellows practising in the city, and of these forty described themselves as "Incorporated Accountants," eighty-five others had door-plates upon which some described themselves as accountants, some as auditors and accountants, some as auctioneers, and some had no description at all. The remainder appeared to be employed by accountants or public bodies. He had made the same inspection in regard to Associates. Of the 373, he found 273 were employed by other persons, and that of the remaining 100 only thirty described themselves as "Incorporated Accountants." He had also examined 588 prospectuses of public companies issued during the last three years, and found that in only thirteen cases were the auditors members of the plaintiff Association. Four were described as "Incorporated Accountants," six had no description, and the remaining three were described as F.S.A.A.

Cross-examined: Some of the prospectuses did not contain the name of the auditors, and in many cases where the auditors were well-known city firms no description was given.

This concluded the evidence, and

Mr. Terrell then addressed the Court on behalf of the defendants. He submitted that the plaintiffs had made out no case for relief. It was perfectly clear on the authorities that the plaintiffs had failed to establish that which the House of Lords had said it was almost impossible to establish—namely, that ordinary English words, such as "Incorporated Accountant," could acquire a secondary meaning. His learned friend, in opening the case, had at some length dwelt on the position of the plaintiff Society, stating that it was an old Society, that it numbered a large number of eminent accountants, that it had established examinations and appointed a committee who dealt with matters of discipline, and he supposed all this was done for the purpose of showing what a respectable Society it was, and, of course, by contrast, what a very insignificant affair the defendant Society was. But it must not be forgotten that the defendant Society was a new one, and he ventured to say that when the evidence was considered it would be found to compare favourably with the plaintiff Society. He did not wish in any way to impugn the respectability of the plaintiff Society, but he thought it was most unfair for the old Society to attack the younger one; but, after all, this had nothing to do with the case, and, he might add, a great deal of the evidence which had been given had nothing to do with the case, it having been produced merely for the purpose of prejudice. The sole point for the Court to consider was, had the defendants done anything which threatened the rights of the plaintiffs. The word "incorporated" merely meant that a person was a member of a society which had been incorporated. On principle the Court had no jurisdiction to grant an injunction unless the persons against whom the injunction was granted had either done something which was an infringement of the plaintiffs' proprietary rights, or had threatened to do a legal wrong.

His Lordship: Supposing the plaintiff Society is the only Society which has a right to confer upon its members the term "Incorporated," is not that a proprietary interest which they could protect if someone else threatens to infringe it?

Mr. Terrell submitted that the plaintiff Society could not confer a legal right. The Court had to distinguish between an individual and a society, and the wrong (if any had been done) was to the individual person, but not to the Society, and therefore they could not obtain an injunction. In support of this contention he relied most strongly upon the decision in the Scotch Courts and the House of Lords. "Chartered Accountant" meant a member of a chartered society and "Incorporated Account-

ant" meant a member of an incorporated society, and the plaintiffs had no right to claim an exclusive right to the use of two plain English words.

On Thursday Mr. Terrell continued his address, and in support of his contention that the term "Incorporated Accountant" had not acquired a secondary meaning cited the judgments delivered by the Law Lords in the cases of *Siegert v. Findlater* (where plaintiff sought to restrain defendant from using the word "Angostura" in connection with bitters), the *Cellular Cloth Co. v. Maxton*, and *Reddaway v. Banham*. "Incorporated" being an ordinary English descriptive word plaintiffs could not claim the exclusive right to it, and restrain defendant from using the word, seeing that he belonged to a Society which had been duly incorporated. He next referred to an address delivered by Mr. Martin, Secretary of plaintiff Society, at Manchester, in which that gentleman said "the public neither "appreciates nor cares for the nice distinctions of Incor-"porated and Chartered, and such designations; what it "wants is common sense." In face of that he could not understand how plaintiffs could say that the word was important, and the Court ought not to be "astute," as the House of Lords had laid down, to give anyone a monopoly.

Mr. Ashton Cross having added a few words,

JUDGMENT.

His Lordship proceeded to deliver judgment. He said: This is an action in which the Society of Accountants and Auditors are plaintiffs, and a gentleman named George Albert Goodway and the London Association of Accountants, Lim., are defendants. The plaintiffs allege that the defendant Goodway in using as a description of himself in his business capacity the term "Incorporated Accountant" is doing that which is calculated to induce people to believe that he is a member of the plaintiff Society, and that by so doing he inflicts a legal injury on the plaintiffs, in respect of which they are entitled to an injunction. Against the Association the plaintiffs allege that they, by representing, as they do, that their members are entitled to do that which is done by the defendant Goodway, are also committing a legal injury to the plaintiffs, and should also be restrained by injunction. Now, before I state the facts, I think it is desirable to state precisely what is the question which I have to determine. The ultimate question as to the effect of the use of the term is one of fact—namely, did the term, in the contemplation of that section of the public who have dealings with accountants prior to the acts complained of, denote that the person to whom it was applied was a member of the plaintiff Society, and thus distinguish him from other persons in the same profession? Assuming that the plaintiffs establish that, then it seems to me that it would follow that by using that term the person using it is doing that which is calculated to invite people to believe that he is a member himself of the plaintiff Society. The question is analogous to, and must, I think, be decided mainly on the same principles as those applicable to the passing off of goods as and for the goods of another. It is not exactly the same question, and when I come to deal with the allegation of the plaintiffs, that what the defendants are doing confers a right of action against them, it will be shown how far there is a distinction between the two cases. Now the case of the *Cellular Clothing Company v. Maxton* establishes in my opinion that if the term in question is merely descriptive of the class of goods—that being a case strictly of passing off as and for the goods of another—it is extremely difficult for the plaintiff to make out that it has lost that meaning and come to denote exclusively goods of the class in question of his (the plaintiff's) manufacture. I think that case also establishes that the Court ought not to be astute to find that a plaintiff, in cases similar to the present, has acquired a monopoly; on the contrary, I think it establishes—and I certainly confine myself to the present case with that view—that the Court ought rather in the interests of the public to see that anything in the nature of a monopoly is not established without good and sufficient grounds. In reference to the first principle which I have mentioned as having been established by the *Cellular Clothing* case, I want to say this. I must determine this further question, Is the term "Incorporated Accountant" a descriptive term, or is it—to use a convenient phrase—a fancy term? I can only use it as opposed to the expression "descriptive" term. In my opinion it is not. As applied to such matters as those with which I have to deal "incorporated," I think, is accurately defined by a dictionary of standing as meaning "united in a legal body." Now, obviously to speak of an individual as united in a legal body is ridiculous. It can only properly be used in reference to a number of persons who for questions of legal status constitute one person in the eye of the law—that which we usually and technically describe as a corporation. In the context in which it is used for the purposes of this case some special or fancy meaning must be given to it. The meaning which it is suggested by the defendants it bears is "member of a body of accountants incorporated otherwise than by charter." Now that is still more a fancy word than if the more extended and obvious meaning, which I think is itself inaccurate and therefore a fancy expression, were given to the term "member of an incorporated society." That would be more nearly descriptive than the only meaning which in this case it applies to. The result, in my opinion, is that the expression, or phrase, is not a descriptive term as that term is intended to be used, and is used, in the addresses of the Law Lords who addressed the House in the *Cellular Clothing Company's* case, and therefore the difficulty in the way of the plaintiffs' proof, which is emphasised in that case, is not found

in the present case. I now come to the facts. The plaintiff company, the Society of Accountants and Auditors, was incorporated in the year 1885 as an association, not for profit, under the Companies Act, 1867, by the Board of Trade, and it is, of course, a corporation. It was framed with a memorandum and articles of association, and the objects of the Society are plain. It was to form a body of accountants which by means of examinations and tests of various kinds should enable its members to acquire a certain status amongst accountants, generally analogous to that which was already held by the members of the Institute of Chartered Accountants. In the year 1886, shortly after its incorporation, the Society recommended its members to adopt as their professional designation the phrase "Incorporated Accountants," and in the year 1888 the Council emphasised that recommendation in their report, which was issued on 12th April 1889, in these terms: "The Council again desire to urge upon the "Fellows and Associates the desirability of making all "possible use of the style 'Incorporated Accountant,' and "press upon the members generally the imperative import-"ance of bringing the aims and objects of the Society under "the notice of members of Parliament and local authori-"ties." From the year 1887 to the year 1891 the Society inserted in the *Law Times* an advertisement in these terms: "The Society of Accountants and Auditors, incor-"porated 1885. The Fellows and Associates of this Society "practise in all parts of the United Kingdom, and are "styled 'Incorporated Accountants.'" That advertisement was for a short time inserted also in the *Solicitors' Journal.* In the year 1889 they established a journal of their Society, which was called *The Incorporated Accountants' Journal.* They have for some years published a Year-Book, which is called "The Incorporated Year Book." Its members, not by any means universally, but a very large number of them, call themselves on their business documents, such as letter paper and other documents of that kind, "Incorporated Accountant." The London *Gazette* publishes, as we know, notices of appointments of trustees and releases of trustees. I have seen a number of those notices, and very frequently —especially in the notice of releases—the members of the Society are called "Incorporated Accountants." They are also sometimes so described in the appointments of trustees. There is this distinction between the two, which, to some extent, accounts for the fact that the use of the term is more frequent in the releases than in the appointments, and that is this, that in the case of the appointments the particulars are sent to the Board of Trade, and by them to the London *Gazette* by the Official Receiver who presides at the creditors' meeting at which the trustee is appointed; whereas in the case of releases of trustees the particulars are sent by the man himself. The Society has, think, unquestionably obtained a position, not equal, perhaps, to the Institute of Chartered Accountants, but second only to it; and in my opinion that is illustrated by the fact that in a number of recent Acts of Parliament relating to various local bodies clauses have been inserted as to the qualification necessary to be held by auditors of those local bodies: that they must be members of either the Institute of Chartered Accountants or the plaintiff Society. The Society has acquired that status for its members by examinations, especially of recent years as the Society has become more extended and important, and on those examinations they have expended a considerable amount of money. Lastly, the evidence I have with regard to the meaning and effect of the term is that of a large number of gentlemen of experience from different parts of the country. I have had examined here the District High Court and County Court Registrar of Sheffield, the Official Receiver for the same district, the Official Receiver of the Manchester district, a Chartered Accountant of very large experience indeed, solicitors in London of very large commercial experience and holding important positions in the city, and solicitors holding similar positions in every part of the country, besides men of business who in their business come in contact with accountants, and I find as the result of their evidence that the term "Incorporated Accountant" had by the year 1905, when the defendant Society was established, come to be known by persons who had to do with accountants, an accountant who was distinguished from the rest of the accountants' profession by being a member of the Society which, by examination and otherwise, conferred a status on its members similar to that which was conferred by the Chartered Institute. There was, in fact, no other Society except the plaintiff Society and the Chartered Institute, and it seems to me immaterial whether in every case the person who speaks to the reputation or the persons among whom he speaks of that reputation as existing, knew or did not know the name of the Society. What I am satisfied of is that they considered it denoted membership not of any society incorporated, but of a definite and important Society which, by its tests and examinations, conferred a particular status on its members different from that which an unqualified man held in the profession. In holding that, I do hold that the term "Incorporated Accountant" in 1905 meant a member of the plaintiff Society, and that that term did confer upon its members the privilege—which one cannot help regarding as a valuable privilege—of being looked upon by persons who had to do with accountants as holding a certain definite status of reliability and integrity. I come now to the defendants. The defendants are a limited company, established under the ordinary provisions of the Companies Act in the year 1905, as a company limited by guarantee. Their objects are much the same as those of the plaintiff Company. I accept what they told me without the

least hesitation, that they propose—and that during the year 1906 they have actually given effect to their proposal—to hold examinations, and have held examinations which are effective, and they hope, by that means, to give to their members also some status which will distinguish them from the general ruck of accountants. In the year 1903 the Revenue Act was passed which, in reference to appeals to the Commissioners of Income Tax, provided that the Commissioners should, under certain circumstances, hear a barrister, solicitor, or accountant as advocate, of course on behalf of the persons who appeared before them. That Act defined "accountant" to mean a person who has been admitted a member by an incorporated society of accountants. The defendant Association thereupon issued a circular in which they, after stating that they had had that section under their consideration, and expressing an opinion that the Incorporated Society of Accountants was within the meaning of the section, and that "members of the Association are entitled to the privileges thereby conferred," proceeded to state that they were of opinion that "the most "correct designation which members can adopt, especially "having regard to the Act, is that of Incorporated Accoun-"tant, but in view of the fact that this description has been "adopted by many of the members of another body, the "Council recommend that the abbreviation 'Lon. Asson.' "should be added. In the opinion of the Council "the body referred to" (that is the plaintiffs) "has "no exclusive right to the term in question, which "can be used by the members of the Associa-"tion with the addition of the abbreviation mentioned." They have asserted here, as I understand, the right to use the title "Incorporated Accountant" without the addition "Lon. Asson.;" but I do not think it very much matters, because it seems to me, having heard all the evidence, that the abbreviation "Lon. Asson." really makes very little difference if the term "Incorporated Accountant" has that meaning which I think it has. People do not know the exact name of the society, the membership of which confers the right to use the phrase "Incorporated Accountant," and the addition of the words "Lon. Asson." would tell those persons nothing. The important thing is that they recommend the use of the the term "Incorporated Accountant." Now, are they justified in doing that? I desire to deal with the defendant Goodway, who uses that term. He uses the term "Incorporated Accountant" on his letter paper and other business documents, and he puts "Lon. Asson." in very small letters indeed after it. I think on that there is no question he is doing that which is calculated to lead people to believe that he is a member of the plaintiff Association. Now, can the plaintiff Society complain? Is Mr. Goodway by doing that inflicting an injury on the plaintiff Society? That is a new point in England. So far as I am aware, I know of no case in which the question has been decided whether an incorporated body such as the plaintiffs can be regarded as suffering a legal injury from someone who is not a member of the Society calling himself a member; but a case of that nature did come before the Court of Session in Scotland. It was decided first by the Lord-Ordinary in the Outer House, and afterwards the case went to the Inner House, which is equivalent to our Court of Appeal, and the learned Judges agreed that the plaintiffs were entitled to the interdict (injunction) which they sought. The interdict sought was this. The plaintiffs were three Chartered Societies of Accountants in Scotland, one in Edinburgh, one in Glasgow, and one in Aberdeen. Their members were accustomed to use as their professional designation the letters "C.A." after their names, indicating Chartered Accountant. It was established that those letters denoted, when used after a person's name, that he was a member of one or other of those Societies. The defendants were a limited company called the Corporation of Accountants, and two individual members of that company. The two individuals themselves asserted a right to call themselves Corporate Accountants, as being members of the Corporation of Accountants, and (and this was the point) to use the letters "C.A." The Lord-Ordinary and the Lords of the Inner House unanimously came to the conclusion that the Chartered Societies were entitled to prevent the defendants from using the letters "C.A.," or any similar designation which would lead people to believe that they were members of the Chartered Society. It is quite true, in arriving at that decision, the Lord-Ordinary emphasised the fact the plaintiff Societies were Chartered Societies, and that it might be said that what the defendants were doing was an infringement of the Charter, but I think the judgment of the Court, and especially the judgment in the Inner House, were put on much wider grounds—namely, that a body, however incorporated, has a right to prevent persons who are not members of it from representing themselves to be members. In this particular case there seems very little difficulty in coming to that conclusion for this reason, it is established by the evidence that membership of the body confers a status—a valuable privilege, therefore, in its members. It is pecuniarily valuable to the Society that it shall have as many members as possible. Obviously the possession of this definite status arising from the fact of membership is an inducement to persons to become members, and anything which would reduce the value of that status would tend to remove some of the inducements which would actuate people in becoming members of the Society. It seems to me, therefore, that—looked at in that way—there is a pecuniary interest in the Society to prevent people who are not entitled to the status which it confers from representing that they are members and are entitled to that status. It seems

to me, therefore, on the authority of the case to which I have referred, and on principle, that the unauthorised use of the term "Incorporated Accountant" representing, as I think it does on the facts, that the person using it is a member of the Society, does inflict a legal injury on the plaintiff Society, for which they are entitled to relief. So far with regard to Mr. Goodway. With regard to the Association, the matter stands on a somewhat different footing. The Association are not themselves practising as accountants, and in that sense using the term, but what they are doing is, they are, for purposes of advantage to themselves—namely, to induce people to become members of their Society—holding out to accountants at large that if they become members of their Society they will be entitled to the use of the term "Incorporated Accountant," with such advantages as the use of that term confers. If I am right in saying that the plaintiffs have a pecuniary interest in maintaining the term as a term of membership of their Society, then it seems to me they have a pecuniary interest in preventing the defendant Association from striving by means of those inducements which it is holding out to the members of the profession to attempt to reduce the status of members of the plaintiff Society by conferring improperly an indication of that status by the use of the term. It seems to me, on the whole, the plaintiffs are entitled to an injunction against Goodway to restrain him from using the term, and an injunction against the Association in the terms of the second claiming paragraph; but in order to make that second paragraph quite plain, and that it does not go too far, there ought to be added to it the same words which are added at the end of the first paragraph: "To use such "designation aforesaid in such way as to represent or lead "to the belief that their members are members of the "plaintiff Society."

Mr. Terrell asked that the plaintiffs should be deprived of the costs of the action, as they had failed in proving fraud which they had alleged in their pleadings.

His Lordship said he might add that he did not consider it was established that there had been any fraud on the part of the defendants; their only desire was to bring themselves within the provisions of the Revenue Act.

Mr. Terrell thanked his Lordship for that observation. He pointed out that it was the rule of the Court that if a plaintiff pleaded fraud but failed to establish it he was deprived of his costs.

His Lordship said in his view the proper thing would be to give the plaintiffs the general costs of the action, except so far as they had been increased by the allegation of fraud, and so far as the costs had been increased by that allegation the plaintiffs ought to pay the costs, which would be set off.

Mr. Terrell applied for a suspension of the injunction, stating that the case was one of considerable importance to his clients.

His Lordship said he thought the suspension of the injunction would not hurt the plaintiffs, having regard to the judgment which he had pronounced.

Mr. Rowden said he did not object to a stay, on the usual terms.

His Lordship granted a stay against both defendants upon their undertaking to give notice of appeal within fourteen days.

Company Law.

CHANCERY DIVISION.

January 12.

(Before PARKER, J.)

Re The Egyptian Delta Land and Investment Company, Lim.

Company—Variation of Memorandum of Association Effecting Extension of Objects—Companies (Memorandum of Association) Act, 1890 (53 & 54 *Vict. c.* 62), *s.* 1.

Petition. The object of this petition was to obtain confirmation of an alteration proposed to be made in this company's memorandum of association. The main object of the company, as disclosed by its memorandum of association, was that of investing in land situated in any district in Egypt served or to be served by railways now or in future belonging to the Egyptian Light Railways, Lim., or any branch or extension of them. Difficulties arose which hindered the company from obtaining land within the area thus indicated, and eventually a special resolution was passed by which the company's memorandum of association was altered so as to declare the object of the company to be the acquisition of land "in Egypt or the Soudan."

JUDGMENT.

Parker, J., said that he would allow the variation to be made if at the same time the name of the company was also altered so as to show the extension of the proposed objects. There was a difference between investment in land in the Soudan and investment in more civilised parts of Egypt, and it might be that shareholders would object to the former who did not object to the latter. He suggested the introduction of the words "and Soudan" after the word "Delta" in the company's name.

(51 S.J. 211.)

Law Reports.

Accountancy and Auditing.

SHEFFIELD COUNTY COURT.

January 31.

(Before the Deputy Judge H. E. GURNEY.)

Aultman & Miller and Lee & Sons *v.* Parkin.

Trustee's Charges under Deed of Assignment.

This was an action to decide whether or not Mr. Parkin had made reasonable charges as trustee in the winding-up of an estate, and the plaintiffs asked for an order instructing the Registrar to decide what was reasonable remuneration for the defendant, it being alleged that the defendant had charged excessively for the services he had rendered as trustee.

Mr. P. B. Richardson, in his opening statement, said the object of the action was to deal with the amount that Mr. Parkin had deducted as trustee's remuneration in the winding-up of the estate of Mr. Joseph Lowe, agricultural implement merchant, Nursery Street, Sheffield, who had made a deed of assignment for the benefit of his creditors generally to Mr. Parkin. The realisation of Lowe's estate amounted to £422 13s. 8½d. A dividend of 10s. 6d. in the £ was declared; and the amount thus distributed was £244 17s. 3d., and the £160 odd was expended in various sums, including Mr. Parkin's remuneration for acting as trustee. The action was taken with a view of ascertaining how far the trustee was able to make such an excessive charge as had been made against Lowe's estate. The account showed an item of 15 guineas for preparing the statement of affairs and taking stock, and it also contained an item of £78 15s. for the trustee's remuneration. The realisation of £422 was equal to a dividend of 18s. in the £ on the total amount of the liabilities. But 10s. 6d. in the £ only had been paid. The remainder had gone in trustee's remuneration and in various incidental expenses.

This was the main question to be decided, said Mr. Richardson: What were reasonable and professional charges for a trustee under a deed of assignment to make? On the 23rd July Mr. Parkin sent out a notice of a meeting to be held. This was after the deed had been executed. Therefore, as far as the creditors who attended that meeting were concerned, there were two alternatives only: one was to assent to the deed; the other was to join together with the view of instituting bankruptcy proceedings, and so take the estate out of Mr. Parkin's hands. The meeting, however, approved of the deed of assignment with Mr. Parkin as the trustee; and in due course the defendant realised the estate, and the majority of the creditors accepted the dividend of 10s. 6d. in the £ which was declared. One firm, however, the Aultman and Miller Buckeye Company, declined, and eventually the present proceedings were decided upon. William Lee & Sons, who were creditors for £10 8s. 6d., and who were the only creditors in Sheffield, accepted the dividend, but had joined with other creditors with the object of bringing the matter before the Court, and so testing the amount of the trustee's remuneration.

In the present case, continued Mr. Richardson, the "accountant's charges" and the "trustee's remuneration" amounted to £94 10s. But, as a matter of fact, the "accountant's charges" were the charges made by the trustee in his capacity as trustee in preparing the statement of affairs.

"If that item had been put in properly it would have "been put in as the remuneration of the trustee, and not as "'accountant's charges,'" added Mr. Richardson.

The trustee's charges, he continued, usually were 5 per cent. of the amount realised, and 5 per cent. of the amount distributed in dividend. In the present case, had the trustee's charges been taken on that scale they would have amounted to £27 10s. in all. The defendant had used his position as trustee for the purpose of obtaining as much money out of the estate as possible, maintained Mr. Richardson. He had received three and one-third times the amount of remuneration he would have done if the estate had been taken to the Bankruptcy Court. There had been no committee of inspection appointed. The defendant had taken the matter into his own hands entirely.

Before bringing the present action, Mr. Richardson pointed out, he had given the defendant three alternatives: to take the matter before the Registrar and to let him decide what the amount of remuneration should be; or to appoint two accountants who would appoint an umpire to settle the amount of the remuneration; or to call a meeting of the creditors to decide what amount should be paid to the trustee as remuneration.

But the defendant had refused to entertain these offers.

Mr. S. Taylor Gill, the President of the Sheffield Society of Chartered Accountants, was the first witness called in the plaintiff's case.

Mr. Richardson: What, in your opinion, is the minimum remuneration of a trustee in an estate of about £500 where the work of realisation is absolutely normal?—If it were an easy estate, where the money came in without any difficulty, I should think the very least sum that any trustee should have to take would be 7½ per cent. of the assets realised, and 5 per cent. of the dividend distributed.

Would you consider 22½ per cent. a correct charge in the absence of a good explanation?—Well, first of all, I should consider 22½ was a large percentage.

Have you ever charged it?—Oh, yes, more than that.

But it has been awarded by a committee of inspection?—Yes.

In further examination, Mr. Gill pointed out that the charges made by an accountant were based on the amount of time expended in the administration of an estate.

Mr. Ellison (cross-examining): It is quite impossible to say what is a fair and proper remuneration for an accountant without knowing what work he has done?—Oh, quite impossible.

Mr. Gill added that 9s. per hour for the accountant himself, 4s. 6d. per hour for his chief clerk, and 1s. 6d. per hour for the junior clerk, were fair and reasonable charges to be made for time occupied in winding-up an estate. Of course, considerable difficulty would be caused to the accountant in administering an estate where the debtor had not kept the usual books, and where the books he had kept had not been written up for a month or two.

Mr. J. H. Freeborough, ex-President of the Sheffield and District Branch of the Society of Incorporated Accountants, was then called?

Mr. Richardson: What, in your opinion, is a reasonable basis of remuneration for a trustee, assuming that the work is normal, in an estate of £500?—Assuming that the bulk of the assets have been realised under the hammer by the auctioneer, and that everything is perfectly simple and straightforward, I should think that something like 7½ per cent. of the amount realised and 5 per cent. of the amount distributed in dividend would be very sufficient.

What is your opinion of that charge of £94 10s.?—It strikes me as being a very ample remuneration.

Would you have been prepared to take the realisation of that estate as a trustee and deal with it for a matter of 7½ per cent. of the realisation and 5 per cent. of the distribution?—Yes, I should.

Under cross-examination by Mr. Ellison, Mr. Freeborough disagreed with the assertion that it was impossible for anyone to say what the proper remuneration for an accountant should be without knowing the amount of work he had done. For he took it that in the bulk of cases many deeds of assignment were run on certain lines, and one case provided about the same class of work as another.

Mr. Ellison: Do I understand you to say that it is perfectly possible to arrive at the proper remuneration of a trustee without knowing the amount of work he has done?—No, I do not say that.

Do you know the amount of work that Mr. Parkin has done in this case?—No, I do not.

You do not know whether Mr. Parkin sold the things by auction or by private treaty?—No.

That would make a great deal of difference, would it not?—It would.

Mr. Percy Toothill, the Secretary of the Sheffield and District Branch of the Society of Incorporated Accountants, was of opinion that the charges that Mr. Parkin had made were ample remuneration.

Mr. Richardson: Do you agree that 5 per cent. each way, going up to 7½ per cent. of the realisation, is a fair basis of remuneration for a trustee under a deed of assignment?—I should say so in this particular case.

Mr. Ellison (cross-examining): Do you say that the charge (£94 10s.) is an unfair and unreasonable remuneration for him to make?—Yes, I should say that if there had been no extraordinary work required the remuneration is rather unreasonable.

That entirely depends upon what work Mr. Parkin had to do?—Certainly.

Mr. Robert Craig, Incorporated Accountant, of York Street, Sheffield, said he considered 5 per cent. of the distribution and 7½ per cent. of the amount realised was a fair remuneration for an accountant in winding-up an estate.

This concluded the plaintiffs' case.

Mr. Ellison, opening the case for the defendant, said: I put it to your Honour that there is not a shadow of a case for me to answer.

The Deputy Judge: There is a shadow of a case against you, but it is not a strong one.

The defendant, Mr. T. C. Parkin, then entered the witness-box.

He stated that he had been practising as an accountant for the last eighteen years. The estate involved in the present action had not been an easy one to wind up, because the debtor's books had been kept imperfectly, and some had not been kept at all. Neither a Cash Book nor a record of purchases had been kept. Many of the books were a couple of months in arrears. Altogether, the administration of the estate had caused him to spend a considerable amount of time and trouble. He had had nothing whatever to do with the preparation of the deed of assignment. As regarded the absence of a committee of inspection, well, he himself had suggested that there should be such a committee appointed but the creditors would not agree to it. In fact, the representative of Lee & Sons—some of the plaintiffs in the present action—at the meeting of creditors had suggested that a committee of inspection was unnecessary.

There were 49 creditors of the estate; and the debtors to the estate numbered no fewer than 228.

Mr. Ellison: Was there any particular difficulty in dealing with these debts?—Mr. Parkin: Yes, many of them were disputed. In 30 cases I had to take County Court proceedings; and we had 70 odd disputed cases which were settled out of the County Court. There were a number of contra accounts, and they all had to be investigated.

Continuing, Mr. Parkin stated that a portion of Lowe's stock was disposed of by auction, and the remainder was sold privately. The stocktaking in particular had occupied a great amount of time and trouble.

Mr. Ellison: Do you consider that, having regard to the work you did, the charge you made in this matter was a very fair and reasonable charge?—I do.

Mr. Parkin pointed out that, in regard to the separation of the two items "Accountant's Charges" and "Trustee's Remuneration," the Board of Trade made this separation compulsory.

In the winding-up of Lowe's estate Mr. Parkin said he had spent 129 hours—he had charged at the rate of 9s. per hour; his chief clerk had spent 109 hours at 4s. 6d. per hour; and other clerks had spent 195 hours, at 1s. 6d. per hour.

Cross-examined by Mr. Richardson, Mr. Parkin said that as a trustee he had never been paid remuneration on the basis of 7½ per cent. of the amount realised and 5 per cent. of the amount distributed in dividend.

Mr. Jarvis W. Barber, a member of the Council of the Institute of Chartered Accountants, supported Mr. Parkin in the statement that the charges he had made were reasonable.

Mr. Ellison: In your opinion are the two charges made—the 15 guineas and the £78 15s.—having regard to the difficulties of this estate, fair and reasonable charges?—Yes, I consider them so.

Witness also agreed that the scale of charges per hour mentioned by the defendant was a fair and reasonable one.

Mr. William Hubert Smith, Chartered Accountant, agreed with Mr. Barber that the charges made by the defendant were fair and reasonable, considering the amount of work he had done in winding up the estate.

JUDGMENT.

This closed the case for the defence, and the Deputy Judge summed up. There had been no suggestion, he said, that Mr. Parkin had not occupied his time in the way he had stated. Also, the defendant and his witnesses, and the principal witness for the plaintiff, were agreed that the amount of the charges per hour were fair and reasonable. "Under these circumstances," the Deputy Judge added, "I have no other option but to give judgment for the defendant."

Judgment was accordingly entered for the defendant, with costs.

CHANCERY DIVISION.

February 1.

(Before Mr. Justice KEKEWICH.)

James v. Institute of Chartered Accountants.

Membership of Institute of Chartered Accountants—Non-payment of Fees—Exclusion—Application to restrain Institute from excluding Plaintiff dismissed.

This was an action to restrain the defendants from excluding the plaintiff from membership of the Institute. It appeared that the plaintiff, Edward Goldsworthy James, was admitted and constituted a member of the Institute in May 1881, of which he was afterwards a Fellow. In 1903 he, having previously removed his offices in the City, forgot to pay his subscription; and in December 1903 he became aware for the first time, so he alleged, that in October the Council of the Institute had excluded him from membership on the ground that the plaintiff's subscription for the year 1903 had not been received. On December 24 1903, he offered to pay his subscription; but the Secretary refused to accept it and intimated that the plaintiff had been excluded from membership by a resolution of the Committee passed in October, such intimation being the first notice, so he alleged, that the plaintiff had of his exclusion. By Clause 20 of the Charter of the Institute it was declared that "if any person while he is a member of the Institute fails to "pay any subscription . . . . for six months after the "same has become due," he should be liable to be excluded from membership by a resolution of the Council passed at a meeting specially convened for that purpose, with notice of the object, at which meeting there should be present not less than 12 members of the Council, and for which exclusion not less than three-fourths of those present and voting should vote, "and the member having first had an opportunity of being heard," and notice of such exclusion should be sent to the person affected thereby. The plaintiff alleged that no valid resolution had ever been passed excluding him from membership as required by the Charter, nor had he had an opportunity of being heard. It further appeared that the plaintiff's old address was duly registered in the books of the Institute and in the year 1903 so stood in the books of the Institute. The plaintiff gave no notice of his removal to the Post Office. Notices were sent by the Institute on March 31, June 26, July 24, September 23, and September 30 to the plaintiff, to his registered address.

JUDGMENT.

Mr. Justice Kekewich, in delivering judgment, said that the case for the plaintiff had been put upon moral grounds, but with that he had nothing to do. The executive of a body like the defendants had duties to perform, and the responsibility for the exercise of such duties must rest upon them, and it was therefore unnecessary to go into those duties. The relation of the parties depended on contract, and the condition of the contract was clear. The plaintiff was liable to be excluded if he failed to pay his subscription to the Institute for six months after the same became due, having first had an opportunity of being heard. The latter provision was for the plaintiff's benefit, and meant that he should have a reasonable opportunity of stating and arguing his case before the Council, and that the Council should exercise their functions in a judicial manner. The question therefore resolved itself into this: Did the plaintiff have an opportunity of being heard? Therefore the only question was whether the plaintiff had received sufficient notice. A letter was sent to him by the Institute on September 23, which he would in the ordinary course receive on the 24th. That letter told him not only that he was in danger of bei

excluded from membership and the reason for such exclusion, but also gave him notice of a special meeting on the 30th, after which his subscription could not be accepted. No reply was received to that, and the letter was returned. On September 30 another letter was sent by the Institute to the plaintiff, and that again stated the danger of his being excluded and the reason for the exclusion. The only answer to all this that the plaintiff could make was that he did not get the letters. But the Institute were not bound to see that he got the letters; it was sufficient for them to send the letters to the registered address of the plaintiff. The letters were sent, and the plaintiff therefore had had a fair opportunity of being heard. But the matter did not rest there. It was not a pure accident that the plaintiff did not get the letters. He moved his offices and took no steps to make his change of address known beyond calling for a few weeks at the old address for letters. The plaintiff's conduct, therefore, was itself the origin of his own misfortune. There would be judgment for the defendants, who did not ask for costs unless there was an appeal.

(*Times.*)

Bankruptcies and Insolvencies.

KING'S BENCH DIVISION.

January 14 and 21.

(Before BIGHAM, J.)

Re **Button**; *ex parte* **Havaside.**

Bankruptcy—Proof for Damages by Owner of Goods which have Passed to the Trustee as in Order and Disposition of Bankrupt—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *secs.* 37, 44.

Appeal from the rejection of a proof by the trustee in the bankruptcy. The bankrupt carried on business as a dealer in curios and antiques, and the appellant Havaside had been a constant customer of the bankrupt. The bankrupt filed his own petition on the 10th of March 1906, and at that date Havaside had about £700 worth of goods on the bankrupt's premises, some bought from the bankrupt and left there till required, others left for repair, others left for the bankrupt to sell. The trustee claimed these goods as part of the property of the bankrupt divisible among his creditors, on the ground that they were in the order and disposition of the bankrupt with the consent of the true owner at the date of the commencement of the bankruptcy. On the 25th of June 1906 Bigham, J., made an order allowing the trustee's application: *Re Button; ex parte White v. Havaside* (50 S.J. 578). In August 1906 Havaside proved in the bankruptcy for £715 16s. 6d., the estimated fair selling value of the goods. The trustee rejected the proof, whereupon Havaside appealed. It was contended for the appellant that the debt arose upon the filing of the petition when Button, as agent for sale, disabled himself from selling or returning the goods just as if he had given them away. Button's act in filing his own petition gave rise to a claim for damages for breach of an undertaking to sell or return the goods. Counsel for the appellant relied on a *dictum* of Lord Redesdale in *Joy v. Campbell* (1 Sch. & L., at p. 338): "If a man were to purchase goods and pay for them, and "permitted them to remain in the hands of the seller, who "became bankrupt, he would be a creditor for the amount "of the money he paid for the purchase." They also cited Christian's Bankrupt Law, Vol. 1, p. 214 (2nd ed.) (1818), Montague & Ayrton's Bankrupt Laws (2nd ed.), p. 290 (1844), *Utterson v. Vernon* (3 T.R., at p. 548). They also referred to the analogy in cases of distress where one person's goods are lawfully seized for another person's debt, and the owner of the goods is held entitled to an indemnity: *Edmunds v. Wallingford* (33 W.R. 647; 14 Q.B.D. 811). Counsel for the trustee contended that the bankrupt had not committed any breach of contract by filing his petition, and that the appellant's loss was due to the operation of the bankruptcy law consequent upon his own act or default in consenting to the bankrupt retaining possession of the goods. Judgment was reserved.

JUDGMENT.

Bigham, J.: I am asked in this case to reverse the trustee's rejection of a proof for £715 16s. 6d., and it is suggested that the bankrupt by filing his petition wrongfully terminated a contract of bailment, and so gave the appellant a right of proof for damages under section 37 of the Bankruptcy Act, 1883. It is also suggested that to reject this proof violates the principle of law, that when one man's goods are lawfully taken to satisfy another man's debt, the owner of the goods shall have a remedy against the debtor for an indemnity. I am of opinion that there is nothing in either contention. When a man gets into involved circumstances, as the bankrupt here did, it is his duty to himself and to his creditors to file his petition, and he commits no tort or breach of contract by so doing. His property thereupon passes to his trustee, and the statute includes in such property goods in his order and disposition. The appellant has lost his goods by the operation of law, and not by any act of the bankrupt, and I do not think it is any hardship upon him, for it was his own consent which placed his goods in jeopardy. Appeal dismissed.

(51 S.J. 212.)

LIVERPOOL COUNTY COURT.

January 25.

(Before His Honour Judge SHAND.)

Re **W. J. Harries, a Bankrupt.**

Bankruptcy—Secured Creditor—Amendment of Proof.

This was a motion for leave of the Court to amend applicants' proof of debt in respect of securities held by them.

The applicants proved in August 1904 for £234 1s. 2d., being debt £301 9s. 2d., less £67 8s., estimated value of security held, such security consisting of life policies assigned to them. Applicants continued to pay the premiums on the policies, which, with bonuses, amounted to £1,075. The debtor died suddenly in August 1906, and the applicants claimed to amend the estimated value of their security to the full amounts payable on the policies (£1,075), and to be also repaid premiums out of pocket, and interest, under Rule 13 of the Bankruptcy Act, 1883, whereby "a creditor who has "valued his security may, at any time, amend the valuation "and proof on showing to the satisfaction of the trustee or "the Court that the security has increased in value."

Mr. Rees, for the applicants, relied on the said rule, and the case of *In re Newton* (1896, 2 Q.B. 403) decided thereunder.

Mr. Lindon Riley, for the trustee, consented to the application, and the Court made the order asked for, applicants to pay the costs thereof.

Company Law.

CHANCERY DIVISION.

January 15.

(Before PARKER, J.)

In re New Zealand Joint Stock and General Corporation, Lim.

Company – Winding-up—Liquidator — Misfeasance—Distributing Assets without providing for Income-Tax— Companies (Winding-up) Act, 1890 (53 & 54 *Vict. c.* 63), *s.* 10.

This company in 1900 passed special resolutions for voluntary winding-up and reconstruction, and entered into an agreement for the sale of its assets to a new company for a consideration consisting of shares in the new company, and a covenant by that company to pay the debts and liabilities of the vendor company, and to keep the vendor company and its liquidator indemnified from the same. The liquidator had distributed the assets of the old company without providing for or satisfying the claim of the Crown for income-tax; and an originating summons was accordingly taken out by the Attorney-General on behalf of his Majesty for a declaration that the liquidator had been guilty of a misfeasance by so doing, and for an order for payment of the amount (£1,480 12s.) with interest and costs.

Mr. Vaughan Hawkins, for the Crown, said that a misfeasance had been committed, as was shown by the decision of Mr. Justice Buckley in the similar case of *In re Watchmakers' Alliance and Ernest Goode's Stores, Lim.* (5 Tax Cas. 117).

Mr. Allan S. Ramsay (with whom was Mr. W. M. S. Knight) said the liquidator was unable to pay the amount, and had been unable to get the new company to pay it.

JUDGMENT.

Mr. Justice Parker made the declaration asked for, and ordered the amount claimed to be paid within six weeks.

(23 *Times Law Reports*, 238.)

CHANCERY DIVISION.

January 18.

(Before PARKER, J.)

Ashton & Co., Lim., and Others *v.* Honey and Others.

Company—Article Providing for Special Remuneration to Directors—Capital Outlay—Profit and Loss Account.

Motion. This was a motion for an injunction to restrain directors of a company from acting upon a resolution, passed on the 23rd of August 1906, that a sum of £250 by way of commission or fixed sum should be paid to the directors in consideration of their efforts towards the effecting of a contract with another company, and that the commission should be regarded as capital outlay. The company's articles of association included, by virtue of a special resolution, a provision to the effect that, if any director should be called on to perform extra services or make special exertions on behalf of the company or its business, or in giving special attention to the business of the company, such director might be remunerated either by a fixed sum or by a percentage of profits or otherwise, as might be determined. The question raised on the hearing of the motion was whether the resolution of the 23rd of August 1906 was *ultra vires* or no.

JUDGMENT.

Parker, J., said that in determining this question it was necessary to consider another clause in the articles, by virtue of which the directors might pay to any director a commission or fixed sum on any particular business, or a share in the general profits of the company, which commission, fixed sum, or share was to be regarded as working expenses or capital outlay of the company. Although the company could vote sums as special remuneration to directors, the amounts so paid could not be debited to capital if they were to be carried to the Profit and Loss Account as working expenses. No special article could allow such sums to be debited to capital outlay instead of Profit and Loss, and, *primâ facie*, they ought to be debited to the latter. In this case the directors had procured for the company a very advantageous purchase, at the expense of much time and trouble on their part. No injunction was necessary, but there would be a declaration that the company might pay the sums in question out of any moneys in their hands for the time being, but that such sums ought to be debited to Profit and Loss Account and not to capital.

(51 S.J. 211.)

Income Tax.

KING'S BENCH DIVISION.

December 10.

(Before BRAY, J.)

The New Zealand Shipping Co., Lim. *v.* Stephens (Surveyor of Taxes).

Revenue—Income-Tax—"Person Residing in the United Kingdom"—Company Registered Abroad—Head Office Abroad—Directing Power and Control in United Kingdom—Income Tax Act, 1853 (17 & 18 *Vict. c.* 34), *s.* 2, *Schedule D.*

This was a special case stated by the Income-tax Commissioners for the City of London, the question being whether the appellants, the New Zealand Shipping Company, Lim., were resident in the United Kingdom.

The appellants appealed to the Commissioners against an estimated assessment of £68,944, under Schedule D of 16 & 17 Vict., c. 34, and the material facts in the case were as follows:—The appellant company were registered in New Zealand with limited liability. By the memorandum of association it was provided that the registered office should be situate in Christchurch, New Zealand. By Clause 2 of the company's regulations the company could borrow as the London board might think fit. By Clause 3 the business authorised by the regulations might be undertaken or stopped as the London board thought fit. Clause 4 authorised branch registers, and all branch registers elsewhere than in New Zealand were to be under the control of the London board. By Clause 5 the registered office at Christchurch was to be used for all business which could not be transacted otherwise than at the registered office, for the purpose of ordinary business in New Zealand, and for that of all business authorised to be transacted in New Zealand. The head or chief office for all other business of the company was in London. The London board had the right to the allotment of unissued shares, the disposition of new shares, the right of issuing preference shares, and the right of converting paid-up capital into stock. By Clause 17 the New Zealand board of directors was appointed to exercise certain specified powers, having reference chiefly to the business referred to in Clause 5 (*supra*), and also "for the exercise of such other "powers of the directors as shall be delegated to them by "the directors acting in the United Kingdom, but for such "purposes only." The London board of directors was appointed (Clause 19) "for the purpose of issuing shares, "making calls, exercising borrowing powers, and all other "financial, commercial, or administrative business of the "company not by these regulations expressly entrusted to "the directors acting in New Zealand." By Clause 22 the two boards were to be deemed separate boards. Retiring directors in London were appointed by shareholders on the London register, and retiring directors in New Zealand by shareholders on the register there. The directors of the company were to carry on the business subject to the powers respectively of the London and New Zealand boards. The New Zealand board managed the business of the company in New Zealand, Australia, Tasmania, and the Pacific Islands, except that part of it to be done by the London board under the regulations, and the latter might appoint managers and representatives elsewhere than in the above-mentioned places. All meetings other than the yearly ordinary meetings in London and New Zealand were to be deemed extraordinary meetings, and to be held in London. The investment of reserve fund, the declaration of dividends, declaration of net profits, determination of the amount to be set aside for reserve or depreciation fund, and the making of calls were *inter alia* dealt with by the London board. Since 1888 all the general meetings of the company were held in London, and the Balance Sheet and Profit and Loss Accounts were prepared in the London offices, and examined, audited, and signed by London accountants. All the vessels of the company were registered in the United Kingdom, but almost all its investments and other property were in New Zealand, and about two-thirds of the freight were earned in New Zealand. The most important contracts as to the carriage of goods entered into by the company were those made by the New Zealand board with the frozen meat companies. The officers of the fleet were appointed and dismissed by the London board. The Commissioners were of opinion that all important contracts (other than the above) were entered into by the direction of the London board; that all important questions of policy were decided by them; and that, in effect, the New Zealand board were managers for their district under the London board. The Commissioners found as a fact that the trade and business of the company constituted one trade or business, carried on by the appellants in the United Kingdom at their London office, and not at their registered office in New Zealand: that the chief office of the company was situate in London, and that the whole of the operations of the company, both in the United Kingdom and elsewhere, were subject to the control and direction of the head office in London; and they decided that the appellants resided in the United Kingdom, and confirmed the assessment, subject to this case.

Mr. Scrutton, on behalf of the appellants, said that by Schedule D of the Income-tax Act, 1853, there were two classes of taxpayers—namely, those residing in the United Kingdom, who were assessed in respect of their property wherever situate; and those persons, wherever resident, who were assessed in respect of their property in the United Kingdom. He contended that a company merely by carrying on business in the United Kingdom was not

residing there. The appellants entertained a strong objection to pay income-tax twice over, and considerable feeling had been aroused in the Colonies with regard to this question. A peculiarity of this company was that it had two boards of directors, which he contended were quite distinct. There was no evidence to support the findings of fact (*supra*), but the facts stated were contrary to the findings. The London board could not control the New Zealand board as to matters reserved to the latter. He cited *Gramaphone and Typewriter, Lim. v. Stanley* (22 *The Times* L.R. 818; (1906) 2 K.B. 856) and *De Beers Consolidated Mines, Lim. v. Howe* (22 *The Times* L.R. 756; (1906) A.C. 455). Although the company did carry on business within the United Kingdom, he submitted that it did not reside there.

The Solicitor-General was not called upon to argue.

JUDGMENT.

Mr. Justice Bray, in giving judgment, said that it was impossible to maintain the appellants' contention. The question he had to decide was whether the appellant company resided in the United Kingdom. In *De Beers Consolidated Mines, Lim. v. Howe* (*supra*), Lord Loreburn said:—"The decision of Chief Baron Kelly and Baron "Huddleston in *The Calcutta Jute Mills v. Nicholson* and "*The Cesena Sulphur Company v. Nicholson* (1 Ex.D. 428), "now thirty years ago, involved the principle that a com-"pany resides for purposes of income-tax where its real "business is carried on. Those decisions have been acted "upon ever since. I regard that as the true rule, and the "real business is carried on where the central manage-"ment and control actually abides." Now he had to look at the facts of this case and see how far it was true that the central management and control actually abided in the United Kingdom. The finding that the whole of the operations of the company both in the United Kingdom and elsewhere were subject to the control and direction of the head office in London put an end to the case, and established the proposition in favour of the Crown. He was asked to say that there was no evidence upon which to base that finding. But he need only read Clause 19 of the company's regulations, by which the London board was appointed, which enabled them to issue shares, make calls, exercise borrowing powers, and to carry on all other financial, commercial, or administrative business of the company not by the regulations entrusted to the directors acting in New Zealand. He thought it was perfectly plain that it was intended that the central management and control should be in the London directors. It was said that this was not so in consequence of the regulation which enacted that the New Zealand board should conduct and manage all the business in Australasia except such as was to be done by the London board. But he could not doubt that the meaning of the regulations was that all the real management and real control was to be vested in the London board. All the general meetings of the shareholders were to be held in London. No doubt it was stated that the most important of the contracts—namely, those dealing with the frozen meat trade—were made by the New Zealand board, but that related only to the carriage of goods. An enormous number of contracts had to be made besides those for the carriage of goods; for example, those for the construction of ships, &c., which contracts were made by the London directors. And the all important question as to the policy of the company was also decided by the latter. It was impossible in the face of these facts to decide otherwise than that the company resided in the United Kingdom, and the appeal must be dismissed.

(23 *Times Law Reports*, 213.)

Miscellaneous.

COURT OF APPEAL.

January 19.

(Before FARWELL and BUCKLEY, L.JJ.)

Henry Leetham & Sons, Lim., and Others v. White.

Restraint of Trade — Traveller for Flour Millers—Area—Unreasonableness.

This was an appeal from a decision of Mr. Justice Neville [35 *Acct.* L.R. 86]. The action was brought by Henry Leetham & Sons, Lim., A. & R. Appleton, Lim., the Cleveland Flour Mills, Lim., C. D. Mills, Lim., Roger Shackleton & Sons, Lim., the Elland Flour Mills, Lim., and Sidney Leetham to obtain an injunction to restrain the defendant from entering or continuing in the service of Messrs. Marshalls, Lim., of Victoria and Haven Roller Flour Mills, of Grimsby, and from (within the area of Great Britain and Ireland) entering the service of any wheat or corn miller or grain or flour miller, in these circumstances:—The plaintiff Sidney Leetham was the chairman of the plaintiffs Henry Leetham & Sons, Lim., called the principal company, and also a director of each of the other five plaintiff companies, called the subsidiary companies, and on September 18 1905 he, as the agent for and on behalf of the principal and the subsidiary companies, entered into an agreement with the defendant. By this agreement the plaintiff Sidney Leetham, described as "the master," engaged the defendant, described as "the servant," to serve the principal company or one of the subsidiary companies in the capacity or sphere as the master should from time to time appoint, and the servant agreed to serve the principal company or one of the subsidiary companies in such capacities, at a salary of £208 per annum. By Clause 2 the contract was terminable by a month's notice on either side. Clause 4, "The servant hereby agrees with the master that

"he will not within the area of the United Kingdom of "Great Britain and Ireland enter the service of any other "wheat or corn miller or grain or flour factor or flour-"milling engineer, or either directly or indirectly engage in "selling or dealing in flour offals or any other articles or "goods dealt in or manufactured by the principal and sub-"sidiary companies within five years from the expiration of "his engagement with either the principal or any or either "of the subsidiary companies without the consent in writing "of the principal company"; and Clause 7 provided that all restrictions and conditions contained in the agreement expressed to be made with the master should have effect and be construed as if they were made in separate agreements entered into by the servant with the principal company and each of the subsidiary companies, and might be put in force by any one of those companies in whose actual service the servant had been at any time during the continuance of the agreement. Under this agreement the defendant was employed by the plaintiffs, the Cleveland Flour Mills, Lim., and he travelled for them in Northumberland, Durham, and Yorkshire, to which counties their business was confined. In December 1905 the Cleveland Flour Mills, Lim., by notice, determined the defendant's employment. In September 1906 the plaintiffs discovered that the defendant had entered the service of Marshalls, Lim., of Victoria and Haven Roller Flour Mills, at Grimsby, and thereupon they brought this action. The present application was for an interim injunction until the trial of the action, but, by consent, it was treated as the trial of the action. It appeared from the plaintiffs' evidence that the business carried on by the six plaintiff companies was very extensive and substantially touched every part of the United Kingdom and Ireland and the Channel Islands, and that a restrictive area less than that mentioned in Clause 4 of the agreement would be insufficient to protect them from damage to their business by reason of a representative leaving them like the defendant and giving the benefit of the knowledge derived whilst in their service to other competing firms. The defendant alleged that the businesses of the principal and subsidiary companies were distinct and separate, each company having its own staff of servants and travellers, and that whilst in the employ of the Cleveland company he travelled for them alone and only in the counties of Northumberland, Durham, and Yorkshire, where the bulk of their business was done, and that, as traveller for Messrs. Marshall & Sons, he had only solicited orders for them in Norwich, Yarmouth, Lowestoft, and the district round, and that he had no knowledge of the business of the plaintiffs other than that of the Cleveland company. Mr. Justice Neville came to the conclusion, upon the construction of the agreement, that the restrictions thereby imposed on the defendant were not contrary to law, and he accordingly granted an injunction as ·ked. The defendant appealed.

JUDGMENT.

The Court allowed the appeal.

Lord Justice Farwell, in giving judgment, said that it was obvious that the learned Judge in the Court below had very unwillingly come to the conclusion he did on the construction of this agreement, and seemed to have felt that the law compelled him to adopt the plaintiffs' argument; if the law did compel the Court to arrive at such a conclusion on this agreement, it would certainly be very unreasonable, but he (the Lord Justice) was glad to say that in his opinion the law was not so unreasonable. The contract in the present case was in somewhat an unusual form. Having stated the material terms of the contract and observing that, as a fact, the defendant had entered into the service of the Cleveland Flour Mills only, his Lordship said that as he read the contract it was only to be a contract between the defendant and the individual company into whose service he entered, and the true effect of it therefore was that in the present case it was a contract between the defendant and the Cleveland Flour Mills alone; the business of the Cleveland Flour Mills, or the bulk of it, was confined to the counties of Northumberland, Durham, and York; it had no business in Scotland or in Wales; regarded, therefore, as a contract for the protection of the business of the Cleveland Flour Mills, an area comprising the whole of the United Kingdom of Great Britain and Ireland was far too wide and void. It had been argued that this contract was for the protection of all these various companies; in his Lordship's view of the law the fact that these companies had a common management or were interested in each other's businesses was not in point; a contract such as the plaintiffs contended this was was contrary to the principles upon which contracts or agreements in restraint of trade were allowed; they were only allowed for the protection of the particular business in which the man was or had been employed. A trader was entitled to protect the particular business in which the servant was employed by an agreement of this kind, but not other businesses in which the servant was not employed, although the trader had an interest in those other businesses. It was against public policy to allow a covenant in gross in restraint of trade. For instance, suppose a trader had a corn business and also a furniture business, and he engaged a traveller to travel for him in the corn business, and bound him not to engage in any other corn business, he could not also prevent the traveller from entering into competition with him in the furniture business; such a covenant would be bad. The result, therefore, was that this appeal must be allowed, and with costs.

Lord Justice Buckley delivered judgment to the same effect.

(23 *Times Law Reports*, 254.)

Law Reports.

Accountancy and Auditing.

CHANCERY DIVISION.

February 8.

(Before JOYCE, J.)

The Institute of Chartered Accountants *v.* Yoxall and others.

Trade Name—Similarity of Names—Injunction,

Mr. George Lawrence: My Lord, in the action of the *Institute of Chartered Accountants v. Yoxall and others* I have a motion, and I understand the motion is assented to.

Mr. Justice Joyce: I happened to run against some of the defendants, and they complained very bitterly of your conduct and the way you have treated them. I do not mean your personal conduct.

Mr. Kyffin: I appear for some of them, my Lord.

Mr. George Lawrence: The position now is this. Certain gentlemen of position have allowed their names to be held out as being President and Vice-President of another Society.

Mr. Justice Joyce: But they say they did not know anything about it.

Mr. George Lawrence: One gentleman who makes an affidavit quite clearly shows that he did; but he says he thought it was only a formal matter, and that he had nothing to do with it.

Mr. Justice Joyce: I have often heard of that.

Mr. George Lawrence: I do not think they have any right to complain at all.

Mr. Justice Joyce: What is it you wish me to do?

Mr. George Lawrence: I ask for an injunction in the same form that your Lordship granted last week in the case of the Institute of Actuaries, altering the word "permitting" to "sanctioning."

Mr. Justice Joyce: I know. Who appears for the defendants?

Mr. Kyffin: I appear for Mr. Yoxall and the Institute of Accountants, my Lord.

Mr. George Lawrence: Do you appear for all the defendants on the record?

Mr. Kyffin: Yes; for all.

Mr. Justice Joyce: You had better let us not have any misunderstanding. This is as to Mr. Yoxall and the other named defendants and the Institute. You appear for all?

Mr. Kyffin: Yes, my Lord.

Mr. Justice Joyce: And you are going to submit?

Mr. Kyffin: Yes, my Lord, I am going to submit to a perpetual injunction, but they undertake not to enforce costs against Mr. Yoxall.

Mr. George Lawrence: Oh! no. I gave no such undertaking at all.

Mr. Justice Joyce: They cannot enforce costs yet; this is not the trial.

Mr. George Lawrence: It is understood that there is to be a perpetual injunction.

Mr. Justice Joyce: Then I understand that you are instructed to treat this as the trial?

Mr. Kyffin: That is so.

Mr. Justice Joyce: Then I must dispose of it.

Mr. Kyffin: Yes, my Lord.

Mr. Justice Joyce: And I understand that Mr. Lawrence asks for costs against them?

Mr. George Lawrence: Yes, my Lord.

Mr. Kyffin: We understood an undertaking to have been given that if Mr. Yoxall proved he was not a member they would not enforce costs as against him.

Mr. George Lawrence: No, not at all.

Mr. Justice Joyce: That is a very awkward arrangement to make.

Mr. George Lawrence: In this case I have seen Mr. Yoxall's affidavit, and I am satisfied that he is a Vice-President, and I am also satisfied that he is a member.

Mr. Justice Joyce: If you submit to the ordinary perpetual injunction with costs, well and good; otherwise I must grant an injunction till the trial. If it goes to the trial I will grant an interlocutory injunction till the trial in the usual way, with costs in the action.

Mr. George Lawrence: Quite so, my Lord.

Mr. Kyffin: I am instructed that you have actually given an undertaking.

Mr. George Lawrence: I have read the affidavit of Mr. Yoxall, and I am satisfied that he is a member. Therefore I am not going to give any undertaking.

Mr. Kyffin: I understand that the undertaking has been given.

Mr. Justice Joyce: Was the undertaking drawn up and signed?

Mr. Kyffin: I understand that it is the note of counsel.

Mr. George Lawrence: I have given no undertaking in the case, and I will not give one now.

Mr. Justice Joyce: I cannot discuss that matter now. You may mention it again at 2 o'clock, if you do not agree now.

Mr. George Lawrence: If your Lordship will give me the opportunity of mentioning it at 2 o'clock, if necessary, I shall be glad.

Mr. Justice Joyce: Yes, I will take it at 2 o'clock. I have already someone else coming back again at 2 o'clock, but I am not sure that you have not a right to come at 2 o'clock.

Later in the day,

Mr. George Lawrence: Your Lordship gave me leave to mention the motion of the *Institute of Chartered Accounta*

v. Yoxall and others. I understand that the injunction which I ask your Lordship for is now submitted to as a perpetual injunction with costs.

Mr. Kyffin: Yes, that is so.

Mr. Justice Joyce: Very well, in common form.

Mr. Kyffin: The motion to be treated as the trial of the action.

Mr. Justice Joyce: Yes.

Administration.

CHANCERY DIVISION.

February 5, 6, 7.

(Before SWINFEN-EADY, J.)

In re **Wilson; Moore** *v.* **Wilson.**

Will — Tenant-for-Life and Remainderman — Unauthorised Securities—Enjoyment in Specie—Power to Retain Investments.

Originating summons on the construction of a will. The testator died in 1891, having bequeathed £100,000 upon trust to invest the same in trustees' investments and to pay the income to his wife for her life, the said sum and the investments thereof to fall into residue at her death. He gave other legacies, and bequeathed all the residue of his estate upon trust to invest the same in like manner and to pay the income to his niece for her life, and after her death the trustees were to stand possessed of the said residue and the investments thereof for the niece's children; and he authorised his trustees in their absolute discretion, and notwithstanding the foregoing directions for investment, to continue all or any part of his estate on the investments existing at his decease, whether the same should be such as trustees might invest in or not, and also to apportion and set apart any part or parts of his investments to answer the specific sum, after which apportionment and setting apart the wife was to be entitled to all the increase and be liable to all the decrease (if any), without reference to his residuary or other estate. At the time of his death his estate consisted for the most part of unauthorised investments, and a considerable part of them were retained by the trustees, who appropriated some in respect of the legacy of £100,000; but they had paid to the two tenants-for-life not the whole income arising from the unauthorised investments so retained, but only 4 per cent. per annum, which was calculated in the case of the apportioned securities on their value as ascertained at the time of appropriation, and in the case of those representing residue on their value at the testator's death. They issued the present summons to determine the question whether the tenants-for-life were respectively entitled to the whole income of the unauthorised investments, and, if not, what part was liable to be added to capital.

JUDGMENT.

Swinfen-Eady, J., said that as there was no trust for sale, and the will gave full power to retain unauthorised investments and apportion them to the legacy of £100,000, the case was not like *In re Chaytor; Chaytor v. Horn* (74 L.J.Rep. Ch. 106; L.R. (1905) 1 Ch. 233), where the only gift was the income of the proceeds of conversion. The case was undistinguishable from *In re Sheldon; Nixon v. Sheldon* (1888, 58 L.J.Rep. Ch. 25; L.R. 39 Ch.D. 50), and *In re Bates; Hodgson v. Bates* (76 L.J.Rep. Ch. 29; L.R., 1907, 1 Ch. 22), and the tenants-for-life were entitled to the whole income of the retained investments respectively set apart for the £100,000 legacy and representing residue.

(L.J. 108.)

Bankruptcies and Insolvencies.

KING'S BENCH DIVISION.

January 28.

(Before BINGHAM and PHILLIMORE, JJ.)

Re **Webster;** *ex parte* **The Official Receiver.**

Bankruptcy—Property of Bankrupt—Relation Back of Trustee's Title—Debt Due to Bankrupt—Garnishee Order Nisi—Payment to Judgment Creditor of Bankrupt by Debtor to Bankrupt—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 44.—*R. S. C. XLV.* 7.

Appeal by the Official Receiver, the trustee in the bankruptcy, from a decision of the Judge of the County Court at Northallerton dismissing an application by the Official Receiver against the respondent Furness for payment of a sum of £65 os. 10d. Upon the 1st of June 1906 one Hammond issued a writ against the bankrupt Webster for £131. On the 7th of June Webster executed a deed of assignment for the benefit of his creditors which constituted the act of bankruptcy to which the title of the trustee related back. On the 9th of June Hammond obtained judgment against Webster for £131 and costs. On the 14th of June Hammond caused a garnishee order *nisi* to be served upon the respondent Furness, calling upon Furness to show cause why he should not pay to Hammond £65 os. 10d. owed by Furness to Webster. Furness paid the £65 os. 10d. to Hammond's solicitors upon the same day, consequently no garnishee order absolute was ever made. On the 7th of July Hammond presented a petition against Webster, upon which a receiving order was made on the 20th of July. Webster was adjudicated bankrupt, and the Official Receiver became trustee in the bankruptcy. The Official Receiver

applied in the County Court at Northallerton for an order that Furness should pay to him the sum of £65 os. 10d. as a debt due from Furness to the bankrupt which had vested in the Official Receiver as trustee on the 7th of June by virtue of the doctrine of the relation back of the trustee's title, and which Furness had paid to a third person without any compulsion of law. The County Court Judge dismissed the Official Receiver's application, and the Official Receiver appealed from that decision. Counsel for the appellant argued that a person who has paid a judgment creditor of his original creditor upon the service of a garnishee order *nisi* has no defence to an action for such debt either by the original creditor or by the trustee in bankruptcy of such creditor. A garnishee order *nisi* merely calls upon him to show cause why he should not pay, it is not an order of the Court that he must pay, and his only valid defence can be that he has paid by order of the Court (Ord. 45, r. 7). He cited *Turner v. Jones* (1 H. & N. 878), *Mayor of London v. London Joint Stock Bank* (6 A. C. 390, per Lord Selborne, at p. 399, and per Lord Blackburn at p. 415). He admitted that Furness had no notice of any act of bankruptcy at the date when he paid his money. Counsel for the respondent argued that a garnishee without notice of an act of bankruptcy can safely pay upon the service of a garnishee order *nisi*, and need not wait until it is made absolute. He cited *Wood v. Dunn* (L. R. 2 Q. B. 78, per Channell, B., at p. 82).

JUDGMENT.

Bigham, J.: The real point raised here is whether the debt due from Furness to the bankrupt forms part of the bankrupt's estate; is it still a subsisting debt due from Furness to the Official Receiver as trustee? On the authorities it is quite clear that if Webster had not been bankrupt and had sued Furness for the amount, Furness would have had no defence in law, as he had not been compelled by any process of law to pay the amount in question. Now that bankruptcy has supervened, the trustee stands in the shoes of the bankrupt, and has all his rights, one of which is to call upon Furness to pay this amount. It is a hard case, but I see no answer to the claim, and the appeal must be allowed without costs.

Phillimore, J., concurred. Appeal allowed without costs.

(51 S. J. 230.)

Company Law.

CHANCERY DIVISION.

January 18 and 19.

(Before PARKER, J.)

Sadgrove *v.* Bryden and Others.

Company—Meeting of Company—Shareholder Voting by Proxy—Proxy Stamped, but Dates of Execution and Meeting left blank—Dates filled in by Duly Authorised Person—Validity of Proxy.

Motion. The principal point arising upon this motion was as to the validity of a certain proxy. A meeting of a limited company was called in response to a requisition made by shareholders. Prior to the meeting, Shaw, a shareholder, left a proxy with one Pearse. This proxy was stamped and executed in due form, but Shaw had not filled in the date of the meeting at which it was to be used, or the date of execution. Some time before the meeting Pearse obtained authority by cablegram from Shaw to fill in the blank spaces in the proxy. The requisition was withdrawn and replaced by one which called a meeting for a later date. Pearse filled in the dates in the proxy and used it at this meeting of the company, and after the meeting the cablegram was properly stamped. The validity of the proxy was called in question.

JUDGMENT.

Parker, J., said that the present case was very similar to that of *Ernest v. The Loma Gold Mines, Lim.* (1896, 2 Ch. 572; 1897, 1 Ch. 1). Section 80 of the Stamp Act, 1891 (54 & 55 Vict. c. 39), prohibited the stamping of a proxy with the one penny duty after it had been executed, but if it were properly stamped when executed any duly authorised person might subsequently fill in blanks left in the proxy. He considered that Shaw intended to authorise the completion of the proxy and the use of it at the meeting called on the requisition of shareholders. He therefore held that the proxy was a valid one.

(51 S.J. 210.)

CHANCERY DIVISION.

February 5.

(Before PARKER, J.)

Re National Bank of Wales, Lim.; Massy and Giffin's case.

Company — Contributory — Transfer of Shares—Purchase in Name of Infant—Registration of Infant Nominee as Shareholder.

This was a summons by the liquidator in the voluntary winding up of the National Bank of Wales, Lim., to rectify the register by placing the names of H. J. Giffin and Charles Massy on the list of contributories in respect of twenty shares. The resolution for the voluntary winding up of the company was confirmed on the 12th of June 1893. At the date of the commencement of the winding up, Morton Sparkes was registered as the holder of the shares in question, and by transfer dated the 26th of April 1894 he transferred the shares to John Littlejohns, then an infant. The transfer was accepted by the liquidator, who was unaware of the minority of Littlejohns, and Littlejohns was placed upon the register of shareholders. Subsequently on the 30th of May 1894 Littlejohns transferred to J. L. Davies, who was also an infant, the twenty shares. This transfer was again accepted by the liquidator. When it was sought to place Davies on the list of contributories he claimed t

be a minor, and Littlejohns' name was consequently retained upon the register as a transferor to a minor. In 1905 the liquidator ascertained that at the time of the transfer of the twenty shares to Littlejohns he was also a minor, and was a clerk in the employment of Massy & Co., a firm of stockbrokers then consisting of the respondents Giffin and Massy, Littlejohns being merely their nominee. The liquidator then applied to Giffin and Massy for payment of certain calls due to the company. Littlejohns and Davies were added as parties by order of Buckley, J., in July last. It was contended on behalf of the liquidator that the use of the infant's name as transferee was for the purpose of escaping liability, and the brokers, being the actual purchasers, were liable for the calls: *Pugh & Sharman's* case (13 Eq. 566), *Richardson's* case (19 Eq. 588). The respondents set up the defence that the liquidator had lost any right by reason of his laches and delay. They relied also on *Re Great Wheal Busy Mining Company, King's* case (6 Ch. App. 196).

JUDGMENT.

Parker, J., in giving judgment, after shortly stating the facts, said that, the liquidator having assented to the transfer of the shares to Littlejohns, as he was enabled to do by statute, Littlejohns was *primâ facie* liable. The laches and delay of the liquidator had, however, deprived the company of any equity against Littlejohns. The case, however, did not stop here, for Littlejohns himself was an infant at the time of these transactions. His Lordship stated that the application was not against Morton Sparkes, who transferred the shares to Littlejohns, and even if it were the laches on the part of the company would have protected him. The cases cited for the applicants in support of their contention that Massy and Giffin were liable as the real purchasers of the shares—namely, *Pugh & Sharman's* case and *Richardson's* case—were distinguishable from the present case. In both these the decision turned on the contractual relations between the company and the person sought to be put on the register. In the present case Massy and Giffin were not in any contractual relation to the company which would create a privity between them and render them liable to be put on the list of contributories. His Lordship was of opinion that the case was governed by *Kings*'s case, and therefore the application must be dismissed with costs.

(51 S.J. 266.)

Miscellaneous.

COURT OF APPEAL.

January 28.

(Before VAUGHAN WILLIAMS, FARWELL, and BUCKLEY, L.JJ.)

Re **State Banking Corporation, Lim.**

Practice — County of Lancaster — Company — Winding-up— Persons Residing Outside County—Service — Court of Chancery of Lancaster Act, 1854 (17 & 18 *Vict. c.* 82), *s.* 8.

This was an application by motion on behalf of the liquidator of the above corporation, which is being wound up by the Court of Chancery of the County Palatine of Lancaster, for leave to serve a summons for a balance order to enforce a call on certain contributories residing in various parts of England outside the County of Lancaster. By section 8 of the Court of Chancery of Lancaster Act, 1854: "In all cases in which any person who may be a necessary "or proper party to any suit or other matter in the Court of "Chancery of the said County Palatine shall not be sub-"ject to the jurisdiction of the said Court it shall be lawful "for the Court of Appeal, on the application of the plain-"tiff in such suit . . . or of the party proceeding in "such other matter if that Court shall think fit, and accord-"ing as it shall appear to that Court best calculated to "answer the ends of justice, either to order and direct that "the said suit or other matter be transferred to the High "Court of Chancery, or otherwise to order and direct that "such service as may be proper be effected upon such "person out of the jurisdiction of the said Court of the said "County Palatine . . ." It was pointed out that this section applies not only to actions commenced by writ of summons, but that it enables the Court of Appeal to direct service in all cases in which any person who might be a necessary or proper party to any suit "or other matter" in the Palatine Court should not be subject to the jurisdiction of that Court, and that there was therefore statutory jurisdiction to direct service in England out of the jurisdiction of the Palatine Court of summonses as well as of writs, and that, therefore, in this particular case *Re Anglo-African Steamship Company* (32 Ch.D. 348) did not apply.

JUDGMENT.

The Court gave the leave asked for.

(51 S.J. 265.)

Law Reports.

Administration.

CHANCERY DIVISION.
February 19 and 20.
(Before SWINFEN-EADY, J.)

In re **Oppenheimer; Oppenheimer** *v.* **Boatman.**

Will—Construction—Deferred Dividend—Capital or Income—Apportionment—Apportionment Act, 1870 (33 & 34 *Vict. c.* 35), *s.* 7.

Originating summons.

The testator bequeathed his share in Oppenheimer, Son & Co., Lim., upon trust to pay the income to arise therefrom to his wife. It was the practice of the company to declare at each annual meeting a dividend for the twelve months ending on October 31 in the previous year; and clause 90 of the articles of association provided that "every dividend, "whether arising from past or current profits, shall for all "purposes be deemed to accrue and fall due upon the day "on which it is declared and not before."

After the testator's death, which took place on January 4 1906, the company declared a dividend for the year ending October 31 1905. It was argued for the widow that the dividend must be treated as income, and that article 90 was an express stipulation that the Apportionment Act should not apply within the meaning of section 7 of the Act, which says: "The provisions of this Act shall not extend to any "case in which it is or shall be expressly stipulated that no "apportionment shall take place." The persons interested in the capital maintained that article 90 had no effect, and that, in the absence of a stipulation by the testator to the contrary, the dividend must be apportioned, in which case it would all be applicable as capital.

JUDGMENT.

Swinfen-Eady, J., said the company's articles, though binding on the shareholders, only defined and stated the position as between them and the company. They were not, in his Lordship's opinion, an express stipulation as between the tenant-for-life and the estate; and as there was none in the will, the Act was not excluded.

(L.J. 145.)

Bankruptcies and Insolvencies.

COURT OF APPEAL.
February 21.
(Before VAUGHAN WILLIAMS, FARWELL, and BUCKLEY, L.JJ.)

In re **Tyler;** *ex parte* **Official Receiver.**

Bankruptcy—Trustee—Property of Bankrupt—Policy of Life Insurance—Payment of Premiums by Bankrupt's Wife—Repayment of Moneys to Wife—Duty of Trustee to act equitably.

This was an appeal by the Official Receiver against a decision of Mr. Justice Bigham ordering repayment to the widow of the bankrupt of premiums which had been paid by her on certain policies of life assurance on the bankrupt's life. The case involved a question of some importance as to how far the trustee in bankruptcy, being an officer of the Court, might, in accordance with the decisions in *Ex parte James* (L.R. 9 Ch. 609) and *Ex parte Simmonds* (16 Q.B.D. 308), be ordered to do the fullest equity even in a case in which no claim could be enforced either at law or in a Court of equity. The facts were as follows:—On January 29 1896 William Tyler committed an act of bankruptcy. On April 21 1896 a petition was presented against him in respect of which a receiving order was made on July 16 1896, and he was duly adjudicated a bankrupt on August 27 1896. At the commencement of the bankruptcy the bankrupt was entitled to two policies of assurance effected on his own life with the Guardian Assurance Company, one for the sum of £300 at an annual premium of £9 19s. 3d., and another for the sum of £500 at an annual premium of £16 12s. 1d. By a mortgage dated April 13 1895 these policies had been assigned to Messrs. Child and Co., bankers, to secure an overdraft of £400. The mortgage contained the usual covenant to pay the interest and the premiums on the policies. Towards the end of 1895 the bankrupt, having become financially embarrassed, requested his wife to make these payments for him, and promised to repay her when his financial affairs were straight. In accordance with such request the bankrupt's wife instructed Messrs. Child & Co. to pay the interest due to themselves and the premiums due to the assurance company as and when they became due, and to debit her account with them with such payments. This Messrs. Child continued to do from December 1895 until the death of the bankrupt in March 1906. The moneys having thus become payable under the policies, the Guardian Assurance Company paid to Messrs. Child & Co. £936 10s., being the policy moneys and bonuses due under the two policies, and there remained £514 16s. 8d. in their hands after payment of the principal and interest of their loan. This sum was, in consequence of the usual notice of bankruptcy which had been served upon them, paid to the trustee in bankruptcy. The widow claimed to be repaid out of the sum of £514 16s. 8d. the sum of £481 14s. 2d., being the amount paid by her as premiums and interest. It appeared that on the preliminary examination of the bankrupt, which was held on January 5 1901, the debtor stated that his life was insured for £400, and that his wife had paid the premiums. Mr. Justice Bigham held that the trustee being an officer of the Court must do what the Court considered to be just. It would be a great injustice if these moneys were not refunded, and the trustee must, therefore, pay back to the widow the moneys expended by her on keeping up the premiums and interest. The Official Receiver appealed.

After the case had been argued for the appellant Lord Justice Farwell pointed out that the widow, having at her

husband's request paid some premiums before the commission of the act of bankruptcy, was entitled to a charge.

As, however, it was stated on behalf of the Official Receiver that the question how far the trustee in bankruptcy as an officer of the Court was bound to act in accordance with the fullest equity was also raised in the next case, *In re Hall*, and the Official Receiver was desirous of having the question determined as a matter of principle, the judgment was deferred till that case had been argued.

JUDGMENT.

After the conclusion of the argument in *In re Hall*, the Court dismissed the appeal in *In re Tyler*.

Lord Justice Vaughan Williams said that he had really very little more to say than that he thought that the judgment of Mr. Justice Bigham was quite right. In truth and in fact the object of the appeal was to get the decisions in *Ex parte James* (L.R. 9 Ch., 609) and *Ex parte Simmonds* (L.R. 16 Q.B.D., 308) limited to the particular case of money paid under a mistake of law and to have it decided that the principle of those two cases could not be applied to other cases. In his Lordship's judgment it was plain that in the two cases referred to the Court of Appeal did not intend to limit their decision to money paid in mistake of law. In his opinion, the Court of Appeal in *Ex parte James* intended to decide as a general principle that which was laid down as a general principle at the end of the judgment of Lord Justice James, who said:—"I "am of opinion that a trustee in bankruptcy is an "officer of the Court. He has inquisitorial powers given "him by the Court, and the Court regards him as its "officer, and he is to hold money in his hands upon trust for "its equitable distribution among the creditors. The Court, "then, finding that he has in his hands money which in "equity belongs to someone else, ought to set an example to "the world by paying it to the person really entitled to it. "In my opinion the Court of Bankruptcy ought to be as "honest as other people." It was necessary to bear in mind the facts of the case, but what were the facts of that case? The Court accepted the proposition that money had been paid under such a mistake of law that it could not be recovered either at law or in equity. When Lord Justice James spoke of money in the hands of an officer of the Court which in equity belonged to someone else, he was not referring to any equity which was capable of being enforced in a suit, but to the moral principle that the Court ought to be as honest as other people. In *Ex parte Simmonds* (16 Q.B.D., 308) Lord Esher stated the same principle thus:—"When I "find that a proposition has been laid down by a Court of "Equity or by the Court of Bankruptcy which strikes me as "a good, a righteous, and a wholesome one I eagerly desire "to adopt it. Such a proposition was laid down by Lord "Justice James in *Ex parte James*. A rule has been adopted "by Courts of law for the purpose of putting an end to "litigation that if one litigant party has obtained money from "the other erroneously under a mistake of law the party who "has paid it cannot afterwards recover it. But the Court has "never intimated that it is a high-minded thing to keep "money obtained in this way; the Court allows the party "who has obtained it to do a shabby thing in order to avoid "a greater evil—in order, that is, to put an end to litigation. "But Lord Justice James laid it down in *Ex parte James* that, "although the Court will not prevent a litigant party from "acting in this way, it will not act so itself, and it will not "allow its own officer to act so. It will direct its officer to "do that which any high-minded man would do—viz., not "to take advantage of the mistake of law." His Lordship was of opinion that those two decisions clearly laid down a general principle, which was not limited to the case of mistake of law, and he thought that they ought to follow those two decisions. It was said that it opened the door dangerously wide when you allowed the Court or its officer to permit money to be repaid or accounted for when there was no legal right of action; but it must be remembered that, although those decisions did allow those who were acting judicially in bankruptcy to exercise this discretion, the discretion was one which must be acted on on judicial grounds. It was not a case in which there was no appeal, and in the present case, if the Court were of opinion that Mr. Justice Bigham had exercised his discretion on other than proper judicial grounds, he would not be upheld. But in this particular case, having regard to the fact that these policies were effected by the bankrupt before the commencement of the bankruptcy, and that the wife had paid premiums at his request before the bankruptcy, it seemed plain that, quite irrespective of the judgments in *Ex parte James* and *Ex parte Simmonds* she would have had such an interest in the policies as would have entitled her to pay these premiums, and would have prevented the trustee from getting the benefit of the policies without recouping her the premiums. That ground would have been sufficient to dispose of the case, but his Lordship did not wish to dispose of the case on that ground only, especially as the Solicitor-General asked the Court to lay down the truth of the principle in *Ex parte James* and *Ex parte Simmonds*. Now it had come to the knowledge of the trustee in bankruptcy that the wife in the present case had paid the premiums. It did not matter whether an exact description had been given of the policies in respect of which the premiums had been paid; there had been enough to put the trustee on inquiry. In that state of things the wife went on paying the premiums, then the husband died, and the trustee in bankruptcy wished to take the benefit of the policies without any regard to the fact that the wife had been paying the premiums which kept the policies alive. In his Lordship's opinion the Court would be allowing its officer to do a thing which, from a moral point of view, it would be dishonest to

do if it allowed the trustee in bankruptcy in these circumstances to keep the proceeds of these policies without any recognition of the rights of the wife. The appeal must be dismissed.

Lord Justice Farwell and Lord Justice Buckley delivered judgments to the same effect.

(23 *Times Law Reports*, 328.)

KING'S BENCH DIVISION.

February 26.

(Before Mr. Registrar LINKLATER.)

In re **Schumacher.**

Bankruptcy—Discharge—Judgment in Divorce Suit—Judgment for Damages against Co-respondent—Bankruptcy Act, 1890 (53 & 54 *Vict. c.* 71), *s.* 10.

This was an application for an order of discharge by Mr. Erwin Charles Schumacher, who was adjudged bankrupt on December 6th 1905, described as a stock and share broker and dealer, of Austin-friars, E.C. The liabilities were estimated at £4,263 14s.; no assets were disclosed by the bankrupt, and only 4s. 10d. had been realised.

The Official Receiver reported that a receiving order and an order of adjudication were made against the bankrupt in this Court in 1896, and on March 7 1901 the receiving order was rescinded, the debts having been paid. The bankrupt attributed his present failure and insolvency entirely to his liability as co-respondent in the divorce suit of *Ford v. Ford and Schumacher* for damages, costs, and interest, amounting to £3,235 8s. 7d. In August 1903 the bankrupt became acquainted at Johannesburg with Mr. and Mrs. Ford, who had been married in the previous month. In January 1904 Mr. Ford went to Inhambane on a prospecting expedition, but returned unexpectedly in the night of February 10 1904. Two days later he commenced divorce proceedings against his wife, and cited the bankrupt as co-respondent. On the 23rd day of the same month, in the Witwatersrand High Court, Mrs. Ford and the bankrupt being in default, judgment was granted against Mrs. Ford for divorce and forfeiture of benefits under an ante-nuptial settlement, and against the bankrupt for £3,000 damages and £52 18s. 2d. costs. The bankrupt paid nothing on account of damages, interest, or costs, and Mr. Ford filed a petition in bankruptcy, on which a receiving order was made against the bankrupt. The Official Receiver, in conclusion, reported that the bankrupt's assets were not equal to 10s. in the pound on the liabilities, and that the bankrupt had on a previous occasion been adjudicated.

The bankrupt disputed the statement that he met Mrs. Ford in August 1903, the meeting not having taken place until the following October. He stated that the Judge and jury were misled by false evidence in the divorce proceedings.

Mr. Drake opposed the discharge. He said that the petitioning creditor brought an action in the High Court of Justice in this country against the bankrupt, in respect to the damages awarded to the petitioning creditor by the Court in Johannesburg. The bankrupt defended the proceedings in this country to a point, alleging that the Court in Johannesburg had no jurisdiction in the matter of the petition for divorce; and the petitioning creditor was thereby put to an additional expense of £10 10s. Section 10 of the Bankruptcy Act, 1890, provided that the order of discharge should not release the bankrupt from his liability under a judgment against him as co-respondent in a matrimonial cause except to such an extent and under such conditions as the Court should expressly order. In *In re Palmer* (21 *The Times* L.R., 344) the Court refused to make a special order under that section, and this was a stronger case.

The Official Receiver referred to *In re Trevor* (*The Times*, June 21 1899).

JUDGMENT.

Mr. Registrar Linklater, in delivering judgment, said he was glad to have received the assistance of the two authorities which had been cited, one of them being a decision of Mr. Registrar Brougham's, and the other a decision of his own. Those cases clearly established that the onus was on the bankrupt to show some special reason for making an order releasing him from debts of the kind specified in section 10 of the Bankruptcy Act, 1890. In his Honour's opinion no special reason was shown by saying that the Judge or jury had been influenced by false evidence to award damages. This might be a ground for applying for a new trial, but it could not be brought forward and the matter retried in this Court. What facts would induce the Court to make an order under section 10 it was not necessary to determine. In regard to the ordinary debts of the bankrupt now applying for his discharge, the discharge would be suspended for two years, and, in the case of the particular debt that came within the terms of section 10, he would give the bankrupt liberty to apply again as soon as he had fulfilled the following four conditions—namely, when he had paid the petitioning creditor's costs of the bankruptcy petition, if these were not paid out of the estate; when he had paid the costs of the divorce proceedings in Johannesburg; when he had paid the costs of the action in the High Court in this country; and 10s. in the £ on the amount of the damages awarded to the petitioning creditor.

(23 *Times Law Reports*, 336.)

Partnerships.

CHANCERY DIVISION.

February 13.

(Before JOYCE, J.)

Bloomer v. Currie.

Solicitors—Partnership—Bankruptcy of One Partner—Partnership Action—Receiver—Conduct of Action—Practice.

Adjourned summons. The plaintiff in the action was the trustee in bankruptcy of B., who had been practising as a solicitor in partnership with the defendant. B. absconded and was adjudicated bankrupt in July 1906; the defendant did not become bankrupt, neither did the firm. The writ in the action asked for a declaration that the partnership was dissolved by B. prior to his bankruptcy, or alternatively by his bankruptcy, and for an account of the partnership transactions and dealings, and that the partnership might be wound up. In August 1906 the plaintiff moved for the appointment of himself or some other fit and proper person as receiver of the partnership assets. On that motion the Court refused to appoint the plaintiff and appointed a nominee of the defendant. The receiver proceeded to get in the assets of the firm, and in so doing employed the defendant's solicitor, who had also been accustomed to act for the receiver privately. The plaintiff's solicitors objected to this on the ground that the receiver had been appointed on the application of the plaintiff, and that, therefore, he ought to be represented by them. This summons in the action was taken out by the defendant, asking that the defendant's solicitor should have the conduct of the action, including the carrying in and passing of the receiver's accounts, and that the receiver should be represented by the defendant's solicitor in all proceedings connected with the partnership. During the hearing the Court held that the summons was wrong in form in asking for the conduct of the action. It was urged in support of the summons that it was inconsistent and inconvenient for the receiver to be represented by the solicitors who were also the solicitors for the plaintiff in the action, as there were many matters in which the plaintiff's interests and claims as the trustee in bankruptcy of B. would clash with the interests of the firm; that the plaintiff had no knowledge himself of the partnership affairs, and that the defendant, who had no personal interests conflicting with those of the partnership, was obviously the proper person to help and instruct the receiver. The judgment of Kindersley, V.C., in *Dixon v. Wilkinson* (4 Drew, 614) was referred to. In opposition it was contended that the receiver was appointed on the plaintiff's motion, and that, therefore, his solicitors had the conduct of the action; that there was not likely to be any clashing of interests; and that the receiver was not impartial, but had taken sides and clearly regarded himself as an agent of the defendant. But it was pointed out in reply that the receiver would be much more likely to get in the partnership assets if he were a partisan, and that the usual course in the case of one member of a firm being made bankrupt was to appoint the remaining partner receiver of the partnership assets, and that it ought to have been done in this case, but the defendant, in agreeing to his nominee being appointed instead of himself, understood that the receiver would be represented by the defendant's solicitor.

JUDGMENT.

Joyce, J., said that this was not an ordinary case. The action was a partnership action instituted by the trustee in bankruptcy of the absconding partner against the other partner. He was not sure that he had been right in not appointing the defendant receiver; however, the defendant's nominee had been appointed. The receiver found that there were certain matters in which the interests of the partnership clashed with those of the bankrupt's separate estate, but his Lordship was not aware of any matter in which there was any conflict between the interests of the firm and those of the defendant. Not unnaturally the receiver objected; he could not possibly be advised by the plaintiff's solicitors in matters in which there were conflicting interests. It had been admitted that in such matters the receiver must be represented by another solicitor, and it seemed to him that the defendant's solicitor was the proper person for that purpose. The only affidavit in opposition to the summons was made by an articled clerk of the plaintiff's solicitors; there was none by the trustee in bankruptcy himself. The plaintiff's solicitors' chief objection to the application seemed to be that they would thereby lose the work. In his opinion it was best for all parties that the receiver should be represented by the defendant's solicitor in all matters in which he thought fit to be so represented, including the bringing in and passing of his accounts.

(51 S.J. 277.)

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Law Reports.

Accountancy and Auditing.

KING'S BENCH DIVISION.
March 15.
(Before DARLING and LAWRENCE, JJ.)

Election of Elective Auditors for the Borough of Droitwich—Application of F. J. Tolley and A. Slater.

Elective Auditors—Corrupt Practices Act—Application for Relief.

These were two applications for relief from the penalties imposed by the Municipal Elections (Corrupt and Illegal Practices) Act, 1882, the applicants being the two elective auditors for the Borough of Droitwich, who were successful at an election for the office of auditors held on March 1 last. The offence from the penalties of which relief was asked was the incurring of expenses for election purposes contrary to the provisions of the Act.

Mr. Williams, dealing first of all with the case of Mr. Tolley, said that that gentleman had incurred expenses in connection with the election to the extent of about 14s. Of this sum 6s. was in respect of a notice inserted in the *Droitwich Guardian*, 5s. for printing cards for issuing to the electors, 2s. 6d. for a copy of the burgess roll, and 8d. for stamps for sending the printed cards to the electors. At the election the voting was as follows:—A. Slater, 143; F. J. Tolley, 130; J. Wright, 129. Under the provisions of section 5 of the Municipal Elections Act, 1884, the only persons entitled to incur expenses at such elections were candidates for the offices of councillors, and by subsection 2 "any candidate or agent of a candidate or person who knowingly acts in contravention of this section shall be guilty of an illegal practice." That section included an election to the office of auditor, but this only became clear by reference to other sections of the Act, and also by reference to sections 7 and 62 of the Municipal Corporations Act of 1882. He pointed this out to show that it would be by no means easy for a candidate to find out that he was not entitled to incur expenses in connection with an election. It was so complicated, in fact, that the payments in these cases had been made entirely through inadvertence. An affidavit had been filed by Mr. Tolley, in which he stated that he had never stood before at any municipal election, and that when he inserted the advertisement in the newspaper he was quite unaware that candidates for the post of auditor were not entitled to incur any expenses. He was also aware that in previous years candidates for the office in question in Droitwitch had incurred such expenses. Mr. Wright, the unsuccessful candidate, at whose instance the proceedings under the Act were instituted, had himself done so and had made a return of his expenses. When he (the applicant) was told that what was done was illegal he withdrew the cards which had been printed. Mr. Williams said that they had received an affidavit from Mr. Wright, in which he admitted that, after his election for the office of auditor in 1905, he published a letter of thanks in the newspaper. He also stated that some of the electors at the recent election informed him that as they did not receive a card or an address from him they did not know he was a candidate for the post. Mr. Williams submitted that the suggestion made in this affidavit that the result of the election might have been affected by the applicant's conduct was without substance, and that the case was one where the Court might in the circumstances grant relief. In the case of Mr. Slater what was done was to expend 3s. 6d. in the issuing of an address in the form of a bill. In his affidavit he stated that he had never stood for a municipal office before and did no know that expenditure was forbidden. Upon being informed of this he took steps to have the bill withdrawn.

Mr. Carmichael, in opposing the applications, referred to the case of *Ex parte Walker* (22 Q.B.D., 384), in which Lord Justice Fry, in granting relief in a similar case to the present, commented upon the recklessness with which people sought to be appointed to offices without previously taking any trouble to inform themselves of the nature of the duties and liabilities which were attached to these offices, and expressed the view that, on the occasion of any future election, it might be that quite another measure of justice would be meted out to persons who committed similar breaches of the provisions of the Act. Mr. Carmichael, continuing, said that the Corrupt and Illegal Practices Acts of 1882 and 1884 were more than twenty years old, and people who stood for positions of this kind ought to be familiar with their provisions.

Mr. Justice Darling: We have to be satisfied, under section 20 of the Act, that the offence was committed through inadvertence, and that, under the circumstances, it is just that relief should be given.

Mr. Carmichael, submitted that in this case it was obviously not just because the other candidates got an advantage over Mr. Wright in consequence of what they had done. In Mr. Tolley's address there was a personal attack, because he said, "Do you know what you are paying for the auditing of your borough accounts? Ask J. B. Wright. You have the right to know. If you want them done efficiently and at a minimum cost, go to F. J. Tolley." Mr. Wright had been auditor in 1904, 1905, and 1906, and in that capacity had rendered good service. With regard to Mr. Slater's case, it appeared that, after he had been informed that what was done was illegal, one of his bills was still exposed to view. In these circumstances, he asked their Lordships not to grant the applicants relief.

Mr. Willoughby Williams, in reply, said that Mr. Wright was partly responsible for the ignorance of Mr. Tolley as to the provisions of the Act, because in 1904 he had himself

issued bills, and in 1905 and 1906 his election was unopposed. Mr. Tolley had never stood for any office before.

Mr. Justice Darling: I do not like to lay it down that all these auditors are, like dogs, entitled to one bite apiece.

Mr. Justice Lawrence: You have to show us that it is just that relief should be given. There is only one vote between these candidates here. Is it just that there should be relief from an expenditure directed to getting votes? If his blunder secured him one vote, would it be just that it should be executed at the expense of his adversary who has done nothing wrong?

Mr. Williams: If it could be shown that one vote was affected by what the guilty candidate did I agree it would not be just.

Mr. Justice Lawrence.—The amount expended here was 14s. It would be a very expensive election if 14s. did not affect one vote. (Laughter.)

JUDGMENT.

Mr. Justice Darling, in giving judgment, said that in this case they were asked to excuse two candidates, who, on presenting themselves for election as auditors for the borough of Droitwich, undoubtedly committed practices which were illegal under the Acts of 1882 and 1884. The illegality involved no sort of moral turpitude, and was simply this—that, whereas councillors are allowed to incur certain expenses as candidates at elections, those who desired to be elected as auditors are not. He thought it was necessary to notice that the office of auditor was a paid one. Therefore, these people were attempting to promote their election to a paid office, and it was admitted that they violated the statute in incurring certain expenses. Upon this they applied to the Court to be relieved from the consequences of this illegal practice, and the Court might grant them relief only upon certain terms laid down in Section 20 of the Municipal Elections (Corrupt and Illegal Practices) Act, 1884. His Lordship read the section and continued.—They had, therefore, to be satisfied that, among other things, it seemed just to them that the person applying should be exempted from the consequences of his illegal act. It was not enough to satisfy them that he did it by inadvertence, they must be satisfied that it was just that he should be relieved. He did not think they could determine what would be just unless they had regard, not only to the applicant himself, but also to the other candidate, and the effect the order they made would produce on him. Here there were three candidates, Mr. Slater, who headed the poll, only issued one bill, in which he told the electors he was standing for the office, and asked for their support. Upon its being pointed out that that was illegal he did his best to withdraw the bill. It was true that it was alleged in Mr. Wright's affidavit that, after he knew of the illegality of the practice, bills of his were seen in the shop windows, but it did not appear that they remained there by his authorisation. If it had appeared that they were in his own window he should have thought that he did not come within the part of the section which provided for illegal acts or omissions being committed through inadvertence. But he thought that in this case they would not be justified in saying that the bill did not continue to be displayed through inadvertence. Therefore he was of opinion that in the case of Mr. Slater relief should be granted. Mr. Tolley, he thought, was in a different position. He did very much more than Mr. Slater. He bought a copy of the burgess roll and issued a kind of polling card in large numbers, but in his (Mr. Justice Darling's) opinion the most serious thing he did was his advertisement in the *Droitwich Guardian*. His Lordship read the terms of the advertisement and continued.—Mr. Wright had been auditor in 1904, 1905, and 1906, and was seeking re-election. This advertisement seemed to be a direct statement that Wright's auditing was not efficient or done at a minimum cost. That was an indirect way of saying that Wright was not auditing the accounts as they ought to be audited, and that he was charging an excessive price. He did not know which statement would prove the most taking bait to a ratepayer, but he could not think that they had no kind of effect. If they were to suppose that they had no effect, why were they put in the paper? He came to the conclusion that they could not say for certain that the statements made would not affect the election or even that they did not turn the scale. He certainly thought that it was for the person applying for relief to prove that they did not. Of course, from the nature of things it was practically impossible to say that people voted for Tolley and placed him above Wright because of this advertisement, but it seemed highly possible that they did. Therefore he thought that it would not be just to give the relief that Mr. Tolley asked for. One of the answers made by Mr. Tolley was that Wright had no claim to put the statute in force because he himself three years ago incurred certain expenses when he was elected to the same office. He could not see that Tolley was entitled to relief which on other grounds he was not entitled to, because Wright acted contrary to the Act three years ago. He ought not to conclude without referring to the case of *Ex parte Walker* in 1889, and he should like to repeat what was said by Lord Justice Fry in that case. It did seem to him that, if accounts were to be audited, it would be far better if there were some proper official to audit them year after year rather than that they should be audited by chance persons who were by statute not allowed to give the electors any information which would cost money as to their qualifications. In the present case, of these three people who came forward to audit the accounts one was a foreman, another the proprietor of a boarding-house, and the third a land agent. In the case he had referrred to the Court granted relief, but Lord Justice Fry said: "On the occasion of any future election it "may be that quite another measure of justice will be meted "out to persons who commit similar breaches of the pro-"visions of the Act." Lord Esher emphasised that statement by saying "It certainly will be so." That was fair warning that after 1889 indulgence would not be readily granted in the future. Looking at all the circumstances of the case, it appeared to him that they ought to hold in Mr. Tolley's case that it would not be just to grant him the relief he asked for

Mr. Justice Lawrence delivered judgment to the same effect

The application for relief was accordingly granted in the case of Mr. Slater and refused in that of Mr. Tolley.

(*Times.*)

Bankruptcies and Insolvencies.

COURT OF APPEAL.

February 21.

(Before VAUGHAN WILLIAMS, FARWELL, and BUCKLEY, L.JJ.)

Re **Hall**; *ex parte* **The Official Receiver (Trustee).**

Bankruptcy—Money Lent to Bankrupt with Notice of Act of Bankruptcy to Pay a Composition—Benefit to Estate—Trustee's Duty to Act Equitably—Property of Bankrupt Relation Back—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *secs.* 43, 44.

Appeal from the Divisional Court (Bigham and Darling, JJ., December 4 1906 [reported 35 *Acct.* L.R. 82], affirming a decision of his Honour Judge Eardley Wilmot in the County Court at Yarmouth. The bankrupt, J. C. Hall, was the owner of two large fishing boats. He had been in difficulties for some years, and in November 1905 had the misfortune to lose two "fleets" of fishing nets worth £600, which made it impossible for him to continue his business. His largest creditors were the respondents, Messrs. Hobson & Co., fish salesmen, who held a mortgage on his boats for current account, and the amount due to them at the date of the commencement of the bankruptcy was £340. The bankrupt laid his position before them early in December 1905, they took possession of his boats under their mortgage, and said they would try to arrange a composition with his creditors. About Christmas 1905 they gave him copies of a circular signed by themselves to distribute among his creditors. This circular set forth that J. C. Hall had consulted Messrs. Hobson & Co. as to his affairs, and that Hobson and Co. were prepared to pay a composition of 4s. in the £ to each of Hall's creditors if they would consent to accept it. It was admitted that this circular constituted an act of bankruptcy of which Hobson & Co. had notice. Twenty-seven creditors agreed to take the composition, seven refused. Between the 28th of February and the 2nd of March 1906 Hobson & Co. lent the bankrupt £158 to pay the assenting creditors. After this date Hobson & Co. sold the boats for £479, retained £340 in satisfaction of their old debt, and the balance in satisfaction of the advance of £158. The bankrupt filed his own petition within three months of the date of the circular to creditors. The trustee in bankruptcy claimed payment from Hobson & Co. of the balance of the proceeds of the sale of the boats remaining after payment of the £340 due to them at the date of the circular to creditors. The trustee's claim was rejected both in the County Court and in the Divisional Court on the grounds that Hobson & Co. had benefited the estate, and did not understand the effects of notice of an act of bankruptcy, and that it would be inequitable to order them to pay the money to the trustee. The trustee appealed. Counsel for the trustee, after stating the facts and reading the judgments of the Courts below, were stopped by the Court. Counsel for the respondent contended that the principles of *Ex parte James, re Condon* (L.R. 9 Ch. 609), and *Ex parte Simmonds, re Carnac* (16 Q.B.D. 308) (referred to in *Re Tyler*) applied, and that the trustee, as an officer of the Court, ought to be ordered to deal fairly with the respondents.

JUDGMENT.

Vaughan Williams, L.J., stated the facts, and expressed the opinion that the doctrines of the cases relied on by the respondents had no application to the present case. The respondents had lent the bankrupt this money with notice of an act of bankruptcy, and with understanding of what the result of bankruptcy would be. Of course, it was desirable that the estate should not be swelled without recognising the rights of the respondents; but really the only argument in their favour was that they were unfamiliar with bankruptcy law. Even so, it was manifest that the trustee was under no obligation to allow the respondents to recoup themselves out of the surplus of the mortgaged property. He could not understand how it could be said to be dishonest to insist on that surplus being treated as part of the bankrupt's estate. It was not correct to say that the estate had benefited by the payment because the respondents would probably be entitled to stand in the shoes of the creditors whom they had settled with, and prove in the bankruptcy for the amounts paid.

Farwell, L.J., held that this case was clearly different from *Re Tyler*. The trustee had neither done nor permitted anything unworthy of the Court. The mortgagees had tried to avoid bankruptcy by making these payments, but the trustee had had nothing to do with them. In *Re Tyler* the trustee had had notice of the payments which were being made by the respondent, but had stood by and done nothing to prevent their being made.

Buckley, L.J., concurred, and could not see that the principle of *Ex parte James, re Condon*, had any application to the present case. Appeal allowed.

(51 S.J. 292.)

BLACKPOOL COUNTY COURT.

February 6.

(Before Mr. Registrar H. I. PARRY.)

Potter *v.* **Pickering.**

Bankruptcy—Deeds of Assignment for the Benefit of Creditors—Trustee's Right to commence Action against Debtors to the Estate—Bankruptcy Act, 1883, *s.* 43.

This action was heard at the Blackpool County Court by the Registrar, Mr. H. I. Parry, and a considered judgment was given by him on the 20th February.

JUDGMENT.

The Registrar: John Pickering, on the 21st December 1906, made a deed of assignment of all his real and personal estate to John Potter, as trustee, for the benefit of his creditors, with powers to carry on the business and do many other acts. The deed was duly executed by Mr. Pickering and by Mr. Potter, and signed, sealed, and delivered; and was, in all ways, a good and valid deed on the face of it. But it does not give to the trustee, according to the case of *Davis v. Petrie* (95 L.T. Rep. 239; 27 C.C.C. Rep. 244)

cited by the defence, an absolute title to the real and personal estate assigned. It is not absolute because, by section 43 of the Bankruptcy Act, 1883, if a bankruptcy petition were presented within three months of its execution, the deed of assignment would become void as against the trustee in bankruptcy; and that, of course, clearly shows that, in case of bankruptcy within three months, the title of the trustee under the deed would be gone. If his title is gone, and he had taken proceedings and obtained judgment, that judgment would have been obtained on a void deed; and this is a very awkward position for the Court to be placed in. The bankruptcy relates back to and commences at the time of the act of bankruptcy—that is, on the 21st December 1906. The trustee, under the deed, becomes accountable for all the assets of the bankrupt received by him, as trustee under the deed; and any debtor making a payment to the trustee of the deed is liable to be sued by the trustee in bankruptcy for payment of the debt again, in case the trustee under the deed does not pay it over to the bankruptcy trustee. The words of Moulton, L.J., in his judgment in *Davis v. Petrie* are: "Anyone exercising any "right under the deed to receive, as trustee for the creditors, "any portion of the estate, would do so at his peril; and "those who recognise that right also do so at their peril." The learned Judge goes on further to say: "A debtor to the "estate who makes a payment to the trustee under the deed "makes it to the wrong person, and is liable to be sued by "the trustee in bankruptcy." The trustee under the deed is the right person to whom to pay the money, provided there are no bankruptcy proceedings; and, if he—the trustee under the deed—can get over the three months without there being bankruptcy proceedings, he becomes the right person to recover any moneys owing. At all events, any time during these three months the deed is voidable—*i.e.*, it is not absolute. Farwell, L.J., says: "The trustee under the deed knew that the execution of the "deed was an act of bankruptcy, and that on bankruptcy "proceedings being taken within three months the deed "would become void as against the trustee in bankruptcy, "who would be entitled to call upon him to hand over any "property of the bankrupt's estate that was in his possession." It appears to me that if the trustee under the deed received moneys, and bankruptcy proceedings were instituted within three months, and he handed over the money to the trustee in bankruptcy, then everything would be right. The danger comes in where the trustee under the deed does not hand over the money, or wastes the estate, and thus may not be able to hand it over. If he does not hand over the money, the trustee in bankruptcy can then bring an action against the debtor and make him pay over again. This deed of assignment being dated the 21st December 1906, the three months will not expire until the 21st March 1907. Therefore it is clear that under the deed the trustee has not now a good title to sue, or to receive money owing to the estate. He must wait until the three months have expired. Under the circumstances, I direct a nonsuit, as the plaintiff has commenced his proceedings too early.

(L.T. 441.)

Miscellaneous.

COURT OF APPEAL.

February 26.

(Before COLLINS, M.R., COZENS-HARDY, and FLETCHER MOULTON, L.JJ.)

Burton *v.* Companies Registration Agency.

Moneylenders Act, 1900—Reopening Transaction—Bill of Sale —Invalidity—Bills of Sale Act, 1882 (45 & 46 *Vict. c.* 43), *s.* 12.

This was an application by the defendants for judgment or a new trial in an action tried before Mr. Justice Bucknill and a jury. The action was for damages for trespass, illegal seizure, and conversion, brought against two defendants trading in partnership as the Companies Registration Agency. The plaintiff pleaded that the defendants were money-lenders, and that, on November 25th 1905, they wrongfully entered his premises and seized his goods. The defendants denied that they were money-lenders, and said that they had rightfully seized the goods under the terms of a bill of sale dated May 17th 1905, and they counter-claimed to recover the amount alleged to be due. The plaintiff, in reply, alleged that the bill of sale was given in consideration of a sum under £30 and was therefore void under Section 12 of the Bills of Sale Act, 1882; and, further, that if he did owe any sum the transactions by which such sum might have become due were harsh and unconscionable, and such that a Court of Equity would grant relief, and he prayed for relief under the Moneylenders Act, 1900. The jury, in answer to questions left to them by the learned Judge, found that the bill of sale was given for a sum under £30, that the defendants were moneylenders, that the interest and a particular charge were excessive, and that the transactions were harsh and unconscionable; and they assessed the damages at £150. Judgment was accordingly entered for the plaintiff for £150, and for the defendants upon the counter-claim for the sum advanced with interest at the rate of 5 per cent. per annum.

JUDGMENT.

The Court dismissed the application without expressing any opinion as to the course adopted by the learned Judge under the Moneylenders Act, 1900. They were of opinion that the jury were justified in finding that the bill of sale was for a sum under £30 and was therefore void, and there was therefore no justification for the defendants seizing and selling the plaintiff's goods; and that there was evidence that the value of the goods was £150. With regard to the counter-claim, the effect of cancelling the bill of sale did not deprive the defendants of their right to recover the amount advanced with proper interest (in this case the Judge had given 5 per cent.); they had only lost the right of recovering the very high rate of interest under the bill of sale.

(23 *Times Law Reports*, 337.)

Law Reports.

Accountancy and Auditing.

CITY OF LONDON COURT.

March 13.

(Before Mr. BOSANQUET, K.C., Common Serjeant, and a Jury.)

Wood & Radermacher *v.* James R. Francis and John R. B. Curtis.

Accountants' Charges—Liability of Promoter of Company.

The plaintiffs claimed £269 16s. 9d. as accountancy charges in connection with the formation of a company of which the two defendants were promoters. There was a further claim of £100 as damages for misrepresentation of authority. It was said that in 1899 Mr. Francis formed the idea of amalgamating certain lightermen's businesses with his own, and forming a company, the plaintiffs being employed in the matter. For that part of the work they were paid. They were afterwards employed in connection with the formation of the company. Upon the prospectus being issued it was found to be defective, and the vendors decided to undo everything that had been done. The defendants, however, made that process difficult in consequence of contracts they had entered into. Mr. Wood, of the plaintiff firm, was appointed the liquidator of the company. Mr. Wood eventually resigned his appointment, and £1,000 was allowed to him. While he was the liquidator his firm were paid the amount of their account. Upon the appointment of the new liquidator, proceedings were taken to recover moneys paid to the plaintiffs, and they were advised that they could not hold the money for work done before the formation of the company. The money was therefore returned. The plaintiffs now said that the promoters were the persons primarily liable, those gentlemen having repeatedly represented that they had authority to bind the company. For the defence Mr. Francis said he employed the plaintiffs as his accountants for many years at a fee of ten guineas per annum. When the last payment was made by him in 1902 nothing was said by the plaintiffs about any large outstanding account being due as against the company. He was not aware of the suggestion made by the plaintiffs until after the liquidation. The plaintiffs had been paid for the work they did, and the present claim was an afterthought. No evidence was called on behalf of Mr. Curtis. The jury found a verdict for the plaintiffs on the claim for £269 16s. 9d. only. Judgment was entered accordingly.

(*City Press.*)

Administration.

CHANCERY DIVISION.

March 14.

(Before PARKER, J.)

***Re* The Estate of Ben Haigh (Deceased); Haigh *v.* Haigh.**

Will—Bequest of Book Debts—Balance on Business Account at Bank—Construction.

Adjourned summons. By paragraph 10 of his will, dated the 14th of August 1905, Ben Haigh, who died on the 25th of September 1906, provided as follows: "I give, devise, "and bequeath unto my trustees (in case I shall not have sold "the same during my lifetime) my mill buildings and premises "known as the Albert Paper Mill, situate at East Retford, in "the county of Nottingham, the site of which contains an area "of one acre, one rood, and eleven perches, or thereabouts, "together with the engine, boiler, shafting, machinery, loose "tools, implements, utensils, and effects used in the business "of a paper manufacturer carried on by me at the said mill, "and the stock of raw material and manufactured paper and "all book debts owing to me, and the benefit of all contracts "entered into by me in respect of the said business at the time "of my decease upon the trusts and subject to the directions "hereinafter contained concerning the same." By paragraph 11 of the will the trustees were directed, within fourteen days of the decease of the testator, to offer the said mill and premises, &c., for sale to the testator's nephew at a certain price and subject to certain conditions. The summons was issued for the purpose, *inter alia*, of deciding the following question—whether the sums standing to the credit of the business account of the above-named testator, Ben Haigh, with his bankers at the time of his death were included in the bequest to his trustees made by paragraph 10 of his will.

JUDGMENT.

Parker, J., said that he did not think that the testator meant to include the bank balance in the assets as to which an option to purchase was given to his nephew. The expression "all book-debts owing to me and the benefit of all contracts entered into by me," &c., might be argued to include the bank balance, but those words really appeared to mean debts which were due to the business and which, in the ordinary course of business, would pass through the business Ledgers, and also contracts entered into in the ordinary way, and forming part of the business as a going concern, which would be included in the goodwill of the business. The testator had provided that if his nephew did not exercise the option of purchase, his trustees were to "sell and dispose of "the said business, and the said mill, machinery, and "premises." He did not think that a bank balance could form a part of property capable of being dealt with in such a way as that. He was, therefore, unable to say that

bank balance was included in the assets in question. This view was more or less supported by the authorities, and particularly by the case of *Re Stevens, Stevens* v. *Keily* (1888, W. N., Part 1, p. 110, see correction at p. 116), which was followed by Warrington, J., in the case of *Dawson v. Isle* (1906, 1 Ch. 633).

(51 S.J. 343.)

Bankruptcies and Insolvencies.

KING'S BENCH DIVISION.

March 19.

(Before BIGHAM, J.)

Re **Sims**; *ex parte* **Board of Trade.**

Bankruptcy—Trustee—Improper Retainer of Money of the Estate by the Trustee—Penal Interest exacted for such Misconduct—Conflicting Claims of Estate and Treasury to such Interest—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 74, *sub-secs.* 1 *and* 6.

Application by the Board of Trade against the former trustee in the bankruptcy. The trustee in the bankruptcy had retained in his hands a sum of about £300 for a period of two years before paying it into the Bankruptcy Estates Account at the Bank of England instead of paying it in within ten days, and had thereby rendered himself liable to pay interest on the amount so retained at the rate of twenty pounds per centum per annum (Bankruptcy Act, 1883, s. 74, sub-section 6). This penal interest amounted to £109, and there was due from the estate to him, on the other hand, the sum of £90. The trustee did not dispute his liability to pay the penal interest, but the Board of Trade doubted whether they could allow him to set off against it the £90 due to him from the estate. This question depended on whether the penal interest went to the credit of the bankrupt's estate or was payable to the Treasury. The practice had been to treat it as due to the Treasury, but the question had been submitted in 1904 to Mr. Montagu Muir Mackenzie, then counsel to the Board of Trade, for his opinion, and he had given two opinions to the effect that the money should be treated as due to the bankrupt's estate. The Board of Trade desired the judgment of the Court upon the question, and moved for a declaration: (1) That the trustee was liable to pay £109 to the Bankruptcy Estates Account; (2) that the Board of Trade was entitled to apply the sum of £90 due from the bankrupt's estate to the trustee in part satisfaction of the £109 due from the trustee; (3) for an order that the trustee should pay over to the Board of Trade the balance of £19. Counsel for the Board of Trade read the opinions of Mr. Muir Mackenzie in support of the motion. The trustee did not appear.

JUDGMENT.

Bigham, J., agreed with the views of Mr. Muir Mackenzie, and held that the £90 could be set off against the £109. The reason for the exaction of a penal rate of interest from a trustee who improperly retains money of the estate of a bankrupt in his hands is that it may be fairly inferred that he has been using the money to make a profit on his own account, and that any such profit is money received to the use of the estate and ought to have been paid into the Bankruptcy Estates Account under section 74, sub-section 1, of the Bankruptcy Act, 1883. The penal interest exacted is therefore money which the trustee owes to the bankrupt's estate, and is not due to the Treasury. An order was made in the terms of the notice of motion.

(51 S.J. 345.)

Income Tax.

HOUSE OF LORDS.

March 19.

The Attorney-General v. The London County Council and others.

Revenue—Income Tax—Owner Occupying Land Charged with Redemption of Stock—Payment of Tax on Land—Payment of Interest on Stock less Tax—Right to Retain out of Tax Deducted from Stock Dividends a Sum Equivalent to Tax Paid on Land—Income Tax Act, 1842 (5 & 6 *Vict. c.* 35)—*Customs and Inland Revenue Act*, 1888 (51 & 52 *Vict. c.* 8).

A public body which issues stock on which it pays dividends after deducting tax, and also owns and occupies premises for its statutory duties on which it pays tax under Schedule A, is not entitled to recoup itself for this tax out of the tax due on the dividends on the stock.

Decision of the Court of Appeal (Collins, M.R., Matthew, L.J., and Cozens-Hardy, L.J.), 74 Law J. Rep. K. B 787; L. R. (1905) 2 K B. 375, after consideration, reversed.

(L.J. 196.)

Miscellaneous.

KING'S BENCH DIVISION.

March 15.

(Before LAWRENCE, J.)

Bank of England *v.* **Cutler; Bartrum, Third Party.**

Inscribed Stock—Identification of Transferor—Forged Transfer—Liability of Broker.

This was an action by the plaintiffs against the defendant for £1,662 11s. 9d. as damages for breach of a warranty of the identity of a Miss M. M. Pearson, or in the alternative on an implied contract of indemnity. The facts and the arguments appear very fully in the judgment.

JUDGMENT.

Mr. Justice A. T. Lawrence, in delivering a written judgment, said this action arises out of a fraud perpetrated in October 1903 upon Miss Marian May Pearson, an unmarried

lady living at Bridge Avenue, Hammersmith, by her half-sister, Annie Pearson, and a connection by marriage, one Jeannie Pearson. Miss Pearson was the owner, duly inscribed in the books of the Bank of England, of India Three-and-a-Half per Cent. stock to the amount of £1,544 15s. These two women obtained possession of the stock receipt for this amount of stock. They desired to borrow money, and in order to do so Jeannie personated Miss Pearson and forged her name to a transfer in the Bank books. They contrived to conceal these facts by paying Miss Pearson the dividends until 1905, when the fraud was discovered and they were prosecuted. They were convicted of forgery at the Old Bailey on January 1 1906. In this transaction the defendant acted as witness to the identity of Marian May Pearson. He did not know Miss Pearson, and he was deceived when he identified Jeannie Pearson as Marian May Pearson. The plaintiffs bring this action against the defendant in respect of his acts in the matter. The defendant's good faith is admitted, and also that he would not be liable for a mere innocent misstatement of fact. But the plaintiffs say the facts of the case bring him within the principle of liability established by *Collen v. Wright* (8 E. and B. 647), and many other cases. The statement of claim is framed upon an implied warranty and promise of indemnity. It becomes necessary to state the facts. The India stock in question was issued pursuant to the statute 42 & 43 Vict. c. 60, and 43 Vict. c. 10. By these statutes books are required to be kept at the Bank of England wherein entries of the stock issued are to be made, and all transfers and assignments are to be executed by the stockholders, no other mode of transfer or assignment being good or available in law. It is the long-established practice of the Bank of England to permit stockholders to make transfers in the Bank books only when they are identified as the persons owning the stock by persons of one of three classes—(1) certain high officers of the Bank of England; (2) the past and present representatives of private banks; (3) members of the London Stock Exchange and their clerks whose names are upon a list kept at the Bank. The privilege of being upon this list of brokers is obtained by the introduction of a member already upon the list. A member upon the list can have his clerk's name put upon it by signing a document making himself responsible for the acts of his clerk. There are some 3,000 members on the list, and it is clearly a privilege valuable to brokers who deal in Government securities. The defendant's name was upon this list. On October 9 1903 Mr. Nuttall, the managing clerk of Mr. J. Arscott Bartrum, a solicitor who had acted as solicitor for the defendant, waited upon him at his office and instructed the defendant to prepare a transfer of this stock and to put forward a "ticket." The necessary particulars were furnished to the defendant, and it was explained to him that the consideration was 5s., as it was for the purpose of a loan of £1,200 by one Tottenham to Miss Pearson. The defendant took it for granted that the woman Jeannie who was introduced to him as Miss Marian May Pearson was in fact that lady. He accordingly gave his clerk instructions to prepare the necessary ticket and stock receipt, and sent him to the Bank with the ticket, saying he would attend later in the day and carry through the transfer. This ticket which was "put forward" by the defendant gives the particulars necessary for the preparation by the Bank officials of the transfer in the books. As it was after 1 o'clock in the day, the payment of a fee of 2s. 6d. was necessary if the matter was to proceed forthwith. The clerk paid the fee, had the ticket stamped "fee paid," and then took the ticket so marked to the transfer department. Later in the day the defendant attended at the transfer department with the women, and carried out the transfer in the ordinary formal manner, except that the transfer in the Transfer Book inscribed in accordance with the instructions contained in the ticket was executed by Jeannie's forging the name of Marian May Pearson. The defendant signed the book identifying the woman Jeannie as Marian May Pearson. The usual stock receipt was also signed, was witnessed by the Bank official, and was handed by the defendant to the solicitor. The defendant subsequently sent in his account to the solicitor and was paid his charges, which he fixed at £1 3s. 6d. The stock receipt showed a transfer of the stock to Abraham Loftus Tottenham in consideration of 5s. Abraham Loftus Tottenham had an account at Messrs. Coutts's bank, which account was operated upon by his son Loftus. Loftus had arranged to make a loan to the women, and had applied to Messrs. Coutts for an advance for the purpose. They declined to make any advance unless upon security duly vested in them. This stock was accordingly, on October 19 1903, transferred by Abraham Loftus Tottenham in the Bank books to Messrs. Coutts & Co., and advances were then made against it. Subsequently the stock was sold by Messrs. Coutts on the Stock Exchange to Mr. William Gibbs, a jobber and member of the Stock Exchange, and on June 17 1904 was transferred to him in the books of the Bank. The price was duly accounted for by Coutts & Co. to Tottenham. In 1905 Miss Marian May Pearson discovered that Annie and Jeannie Pearson had committed other frauds upon her, and upon investigation discovered this transaction. She then called upon the Bank to replace the stock. The Bank, being advised that they were liable, bought stock upon the market at the price of £1,649 1s. 6d. and paid her one dividend of £13 10s. 3d., which she had not received from the forgers. The stock so bought was duly transferred in the books of the Bank to Miss Marian May Pearson. The Bank then brought this action against the defendant, claiming the total sum of £1,662 11s. 9d. Did then the defendant request or direct the plaintiffs to permit this transfer of this stock to be made? If he did, he comes within the well-established doctrine expressed by Lord Davey in *Sheffield Corporation v. Barclay* (1905, A.C., at p. 399) in these words:—"Where a person invested with a "statutory or common law duty of a ministerial character "is called upon to exercise that duty on the request, direc- "tion, or demand of another (it does not seem to me to "matter which word you use), and without any default c

"his own part acts in a manner which is apparently legal, "but is in fact illegal and a breach of the duty, and thereby "incurs liability to third parties, there is implied by law a "contract by the person making the request to keep "indemnified the person having the duty against any "liability which may result from such exercise of the sup-"posed duty." The Bank does nothing with regard to the transfer of stock until set in motion by someone. Its only duty is to permit a transfer to be made at the request or by the direction of the stockholder. It then prepares the transfer in the Transfer Books without charge. The stockholder can make this request either personally or by agent, and either expressly or impliedly. Did the defendant make it here and represent that he made it on behalf of the true stockholder? He says himself that he was instructed to prepare a transfer and put a ticket forward. I think the drawing up of this ticket, the taking it to the Bank, the payment of 2s. 6d. to get the transfer expedited and made ready on the same day, the attendance at the Bank with the proposed transferor, and the identification of the forger as the stockholder constitute, when taken together, as distinct a request to permit the transfer to be made in the books as did the "demand to act" under the power of attorney in the case of *Starkey v. The Bank of England* (1903, A.C., 114). He said in evidence that his part of the transaction was "simply putting it through the Bank." I come, therefore, to the conclusion as a matter of fact that the defendant did request the Bank to permit Marian May Pearson to make this transfer, and did identify this woman Jeannie as Marian May Pearson, the true owner of the stock. The legal effect of this was that he warranted that she was Marian May Pearson, and promised to indemnify the Bank if she was not. I see no essential distinction between this case and that of *Starkey v. The Bank of England* (*supra*) or *Sheffield Corporation v. Barclay* (*supra*). What was warranted in those cases was authority, but authority is involved in identity. The latter contains the former. A false warranty of identity involves a false warranty of authority and the effect is precisely the same. It was argued for the defendant that he was a representative of the Bank deputed to form a judgment as to the identity of the stockholder, and that he could not be required to do more than exercise reasonable care. I have not to decide whether as between the Bank and a stockholder the Bank are entitled to insist upon evidence of identity being furnished by persons of a particular class. Here the Bank made no inquiry of or request to the defendant, and I cannot hold, because the defendant was one of a limited class of persons whose identification the Bank was willing to accept without further inquiry, that that made him the representative or agent of the Bank. The defendant was in fact the agent for reward of the supposed transferor. It was further urged that the transfer, being forged, was a nullity, and that no damage had been sustained by the Bank, because it was not shown that anyone had acted in reliance upon this transfer. This argument was founded upon some answers in cross-examination of Mr. Covington, a gentleman in the loan department of Messrs. Coutts. He admitted that he did not trust Loftus Tottenham, and always had doubts about this transaction. It was clear to me that what he meant was distrust of Loftus Tottenham personally, and not of this transfer. He had insisted upon having the stock transferred so as to have the legal title in the Bank before making the advance, and as it was transferred to Tottenham for a nominal consideration he was anxious that Loftus Tottenham should not deprive the supposed transferor of her beneficial interest; to this end he frequently communicated with the person he supposed to be Miss M. M. Pearson, and obtained her written authority for dealing with the stock. He did not say, and I see no ground for supposing, that he did not rely in making the advances entirely upon the genuine character of this supposed transfer. I am convinced that he did. He supposed, of course, that the transferor and the person with whom he was communicating was the genuine Miss Pearson; in fact, it was in both cases the forger Jeannie. It was next urged that upon the pleadings and particulars no damage was shown to the plaintiffs, because no facts to raise an estoppel were alleged therein, and no opportunity, except by cross-examination at this trial, had been afforded to the defendant of investigating the *bona fides* of the subsequent transactions. This argument was founded upon the alleged effect of the judgment in *Davis v. the Bank of England* (2 Bing., 393). It was said that the transfer, being forged, was a nullity, that neither Gibbs not Messrs. Coutts nor Tottenham have made any claim upon the Bank; therefore, when the Bank bought stock for Miss Pearson they made a voluntary expenditure, for they could, it was said, have replaced her name on the books without doing so. I think this argument erroneous and the pleadings sufficient. If I had not done so, I should have given leave to amend, and made any reasonable adjournment the defendant might ask. The decision in Davis's case upon counts 1 and 3 went upon the fact that neither the pleadings nor the verdict alleged any refusal on the part of the Bank to replace the stock. When the forged transfer is said to be a nullity that merely means that it had no effect upon the plaintiff's property; her title to £1,544 15s. worth of stock remained intact. But the subsequent transfers cannot be struck out of the Bank books except as the result of an action wherein the transferees have been shown to be affected by complicity in the fraud. *Primâ facie* a transfer which the Bank has permitted is valid, and if acted upon *bonâ fide* and for value the Bank is stopped as well from touching it as from saying that it is invalid. Therefore, when in October 1903 Messrs Coutts and Co. made advances *bonâ fide* upon the faith of this transfer, as I am satisfied they did, there was a complete and binding estoppel against the Bank. To then reinstate Miss M. M. Pearson's name in the books would be *ultra vires* of the Bank, for it would place on the books more stock than was authorised by the Act of Parliament, or if there was stock still unissued, would be a flagrant breach of duty, for it would be an attempt to pledge the credit of the country for a sum that had not, and could not, reach the Treasury. All the Bank could do when called upon by Miss Pearson in December 1905 was to replace this amount of stock in her name by purchasing it and conveying it to her. There is no identity in stock, and when this had been done her property in law and her apparent title upon the books would once more accord. I think this view is shown to be correct by the judgment of Vice-Chancellor Kindersley in *Sloman v. the Bank of England* (14 Simon, 475). There must be judgment for the plaintiffs for the amount claimed, with costs. (*Times.*)

Law Reports.

Bankruptcies and Insolvencies.

COURT OF APPEAL.

March 16.

(Before COZENS-HARDY, M.R., VAUGHAN-WILLIAMS and BUCKLEY, L.JJ.)

In re **Van Laun**; *ex parte* **Chatterton.**

Bankruptcy—Proof—Solicitor's Bill of Costs—Amount agreed by Client—Account Stated—Payment—Power of Trustee to Reopen—Solicitors Act, 1843 (6 & 7 *Vict. c.* 73), *secs.* 37, 41—*Bankruptcy Act*, 1883 (46 & 47 *Vict. c.* 52), *Sched. II., r.* 22.

This was an appeal from a decision of Mr. Justice Bigham's, sitting as a Judge in Bankruptcy, reported 35 *Acct.* L.R. p. 78; (1907) 1 K.B. 155. The case raised a question of considerable importance to solicitors. The facts were as follows:—

Mr. H. T. Van Laun, the debtor, for some years before his bankruptcy in March 1906, was engaged in large financial transactions, and employed Mr. Chatterton, who was a solicitor, to act for him in numerous matters, principally contentious business, and during this period Mr. Chatterton collected some £16,000 for the debtor, of which about £13,000 passed through his hands. From March 1901 to June 1905 Mr. Chatterton furnished the debtor with Cash Accounts showing his receipts and payments on behalf of the debtor, and on four occasions these accounts were balanced. On each of these occasions Mr. Chatterton produced his draft bill of costs, and the debtor went through it and agreed the amount of it, which sum was debited against him in the Cash Account, and then the debtor wrote at the foot of the account, "I agree this account," and added his signature and the date. On each of these occasions the debtor also requested Mr. Chatterton not to deliver to him a detailed bill of costs. January 5 1905 was the third occasion on which the account was balanced, and it showed a sum of £3,818 14s. 1d. due to Mr. Chatterton for costs, and on January 10 1905 the debtor executed a mortgage in favour of Mr. Chatterton whereby, after reciting that the debtor was indebted to Mr. Chatterton for costs in respect of business done and professional services rendered by Mr. Chatterton, and an account of such indebtedness had been stated and settled and agreed between them at £3,818 14s. 1d. and that the debtor had requested Mr. Chatterton to continue to act for him as his solicitor in various matters, the debtor covenanted to pay Mr. Chatterton the £3,818 14s. 1d. with interest, and also all other sums to become due for business transacted for the debtor by Mr. Chatterton; and the debtor thereby charged substantially the whole of his property with payment to Mr. Chatterton of all moneys and interest secured by the covenant. The fourth occasion on which the account was settled was August 9 1905, when the agreed sum due to Mr. Chatterton for costs to June 30 1905 was £6,326 15s. 10d. In April 1906 Mr. Chatterton lodged a proof against the debtor's estate for £7,352 11s. 4d., based on the covenant in the mortgage of January 10 1905. This sum was made up of the £6,326 15s. 10d. and £225 15s. 6d. for interest, and a sum of £800 for professional services rendered from June 30 1905 to January 4 1906. Mr. Chatterton also claimed that the £6,326 15s. 10d. was due to him on an account stated. In July the trustee required Mr. Chatterton to supply further particulars of his proof, including vouchers for all payments in the stated account from March 1901 to December 1904, and details with items of the sums agreed for costs on each of the four occasions when the accounts were balanced as above-mentioned. Mr. Chatterton refused to furnish these particulars on the ground that the stated account could not be reopened, and thereupon the trustee rejected the whole of the proof. Against this rejection Mr. Chatterton appealed to the Judge in Bankruptcy. It was admitted that a bill of costs must be delivered in respect of the £800, but as to the £6,326 15s. 10d. it was contended, on behalf of Mr. Chatterton, that it was competent for the debtor to waive delivery of bills of costs for the agreed sums in the accounts; that it was now too late for the debtor, more than 12 months having expired since the several sums were settled and agreed, to reopen the stated accounts, and that the trustee was in no better position. Mr. Justice Bigham, in a considered judgment, held, that as between the trustee in bankruptcy and the solicitor, the trustee represented the general body of the creditors, and was entitled to go behind the covenant in the mortgage and the stated account, and to require satisfactory evidence before admitting the proof that the claim for costs represented a genuine debt. From this judgment Mr. Chatterton appealed.

JUDGMENT.

The Court, without calling upon the respondent's counsel, dismissed the appeal.

The Master of the Rolls, in the course of his judgment, said there was no reasonable doubt as to the accuracy of Mr. Justice Bigham's judgment, which, though short upon this part of the case, could not be improved upon. Having stated the facts and the terms in which Mr. Chatterton's proof had been rejected by the trustee, his Lordship said there were two circumstances in this case which ought to be particularly regarded; the first was the relationship in which Mr. Chatterton stood to the debtor, the relationship of solicitor and client, one of the most fiduciary relations known to the law, and one that made it exceedingly difficult for Mr. Chatterton to rely on a mortgage for his costs like the mortgage in this case; the second was the position of the trustee in bankruptcy, the trustee occupying a different position many respects from that occupied by the debtor.

present case was not the case of a trustee in bankruptcy requiring the delivery and taxation of a bill of costs after payment; it was the case of a creditor coming into the bankruptcy to prove for his debt and being met by the trustee with a request for such information as would enable him, in the course of his duty to the other creditors, to examine into this particular proof and the grounds upon which it was made. It had been argued that there was no authority to show that the Court could go behind a covenant of this sort, but it was admitted that, even if a judgment had been obtained on such a covenant, still the Court could go behind such a judgment, and it certainly could go behind the covenant and see that the amount for which it was given was correct. In this particular case the judgment obtained by Mr. Chatterton on this covenant had been set aside. In cases of this kind the Court had a right, and it was its duty, to investigate the nature and grounds of all claims against the debtor's estate. It did not at all follow as the result of this appeal that Mr. Chatterton might not hereafter be able to prove for the full amount of his present claim. All that the Court was now deciding was that the trustee had a right to say, "I will not admit this proof until you furnish me with the means of judging whether it is correct or not." This point was very clearly put by Mr. Justice Bigham when he said, "The trustee's right and duty when examining a "proof for the purpose of admitting or rejecting it is to "require some satisfactory evidence that the debt on which "the proof is founded is a real debt. No judgment recovered "against the bankrupt, no covenant given by or account "stated with him, can deprive the trustee of this right. He "is entitled to go behind such forms to get at the truth, and "the estoppel to which the bankrupt may have subjected "himself will not prevail against him. In the present case "the trustee desires to satisfy himself that the claims for "costs represent a real indebtedness. He can only do this "by seeing and examining the bills. When he sees them it "may be that he will think them fair and reasonable, and, "if so, he will probably admit the proof. But until Mr. "Chatterton furnishes him with the means of forming an "opinion I think the trustee cannot do otherwise than reject "the proof." For these reasons his Lordship was of opinion that the judgment of Mr. Justice Bigham was quite right, and that the appeal must be dismissed with costs.

Lord Justice Vaughan Williams concurred.

Lord Justice Buckley delivered a short judgment to the same effect.

(23 *Times Law Reports*, 384.)

KING'S BENCH DIVISION.

March 18.

(Before BIGHAM, J.)

Re Grant Richards; *ex parte* Warwick Deeping.

Bankruptcy—Author and Publisher—Sale of Copyright—Claim for Royalties.

Motion by Mr. Warwick Deeping, an author, against the trustee of the estate of Grant Richards, a publisher, for a declaration that the applicant was entitled, under the terms of an agreement of the 23rd of April 1903, to be paid in full his proportion of the royalties received by the trustee since the 3rd of February 1905 from certain American publishing firms in respect of sales made by them of books entitled, "Uther and Igraine," "Love Among the Ruins," and "The Slanderers," and for an account of such royalties. By the agreement of the 23rd of April 1903 (clause 1), Grant Richards agreed to purchase and Warwick Deeping to sell the entire copyright without any reserve in the United Kingdom and all other parts of the world of "Uther and Igraine" and all future editions thereof, in consideration of the payment of certain varying royalties. By clause 3 the publisher had the absolute right to sell, assign, or otherwise dispose of all his rights in the book for the Colonies and foreign countries, and was to pay the author one-half of the net profits received by him under any such sales or assignments. Clause 4 provided that certain other royalties were to be payable to the author on editions sold to the United States. Clause 15 provided that the author was to sell to the publisher the copyright of all works completed by the author within five years of the date of the agreement. Under this agreement Grant Richards purchased the three books in question. A receiving order was made against him on the 17th of January 1905; the trustee carried on the business till October 1905, when it was sold as a going concern. During this period the trustee had effected sales of the books in the United States and received the proceeds in which the applicant now claimed to share. Counsel for the applicant contended that the royalties received by the trustee were impressed with a trust in favour of the author and did not form part of the bankrupt's estate. Counsel for the trustee contended that the author had merely a right of proof for the royalties as a debt due under a trade contract.

JUDGMENT.

Bigham, J., held that by clause 1 of the agreement the author had divested himself entirely of his copyright, the only property he had in the books. The consideration for which he sold it was the payment of certain royalties varying according to circumstances. On the bankruptcy of the publisher the entire property in the copyright became vested in the trustee to do what he pleased with and to sell it for the benefit of the bankrupt's estate. The agreement was analogous to a contract for the sale of goods, and the author's only right was to prove for damages for breach of agreement in not paying the royalties.

Application dismissed.

(51 S.J. 345.)

KING'S BENCH DIVISION.

March 20.

(Before BIGHAM, J.

Re **Saumarez**; *ex parte* **The Trustee.**

Bankruptcy—Deed of Arrangement — Registration—Deeds of Arrangement Act, 1887 (50 & 51 *Vict. c.* 57), *secs.* 4, 5, 6, 19.

Motion by the trustee in bankruptcy to set aside a deed of arrangement for the benefit of creditors as void for want of registration. In October 1905 the bankrupt got into difficulties and called a meeting of his pressing creditors, and by a memorandum executed by such creditors and the debtor on the 5th of October it was agreed that the creditors should take no proceedings against the debtor upon certain conditions, and that the bankrupt should hand over certain directors' fees and other assets to a trustee for such creditors. On the 15th of January 1906 a deed of arrangement was executed in pursuance of the memorandum of October 1905. It was only binding upon the creditors named therein who executed it, and who, according to the bankrupt's affidavit, were his pressing creditors. It was not open to the creditors not specified in the deed to come in and take the benefit of it. The debts due to the creditors named in the deed amounted to £6,056 17s. 7d., the only creditors kept out were four creditors to the amount of £60 12s. Neither the memorandum of agreement nor the deed were ever registered. A receiving order was made against the bankrupt on the 20th of September 1906; he was adjudicated bankrupt on the 24th of September, and a trustee was appointed on the 12th of October. The trustee now moved to set aside the deed as void because it had not been registered as required by the Deeds of Arrangement Act, 1887, secs. 5 and 6, and it was contended on his behalf that the deed was a deed for the benefit of "creditors generally" within sections 4 (2) and 19 of the Act. The judgment of Vaughan Williams, L.J., in *Hedges v. Preston* (80 L.T. 847) was cited as follows in support of the trustee's contention: "The object of the Act is that unless publicity "is given to a deed of arrangement by registration the "deed shall be void. In dealing with such an Act of "Parliament, I should be slow to hold that a deed was "exempt from the necessity for that publicity because it "was not for the benefit of all the creditors." Counsel for the respondents (the trustees under the deed) were not called upon.

JUDGMENT.

Bigham, J.—This application must be dismissed. This deed purports to be made between the debtor and certain creditors whose names are to be found in the schedule thereto, and it was agreed that these were not all his creditors, but that, as appears from his affidavit, they were certain creditors who were pressing him. It cannot be said to be more than an assignment for the benefit of certain individuals; no other creditor than those named in the schedule could claim to benefit under it. Section 4 of the Deeds of Arrangement Act, 1887, provides that the Act shall apply to any assignment of property made by the debtor for the benefit of his creditors generally, and section 19 defines "creditors generally" as including all creditors who may assent or take the benefit of a deed of arrangement. It would be a perversion to say that a deed which on the face of it is for the benefit of certain named persons is for the benefit of creditors generally, and it must therefore follow that it is not within the Act. Section 19 defines such a deed as one including all creditors who may assent thereto. To this deed creditors not named therein cannot assent. The result of this decision may be to defeat the object of the Act, but that cannot be helped since the Act cannot be construed otherwise. Application dismissed.

(51 S.J. 357.)

Miscellaneous.

KING'S BENCH DIVISION.

February 23.

(Before PHILLIMORE, J.)

Furber *v.* **Fieldings, Lim.**

Moneylenders Act, 1900—"*Moneylender*"—*Registration — Carrying on other Business—Lending Money in the course of that Business—Surveyor and Valuer*—63 & 64 *Vict. c.* 51, *secs.* 2, 6.

This was an interpleader issue directed to determine the ownership of certain goods as between a bill of sale holder and an execution creditor. The plaintiff in the issue was Mr. Henry Aubrey Furber, who carries on business as an auctioneer, surveyor, and valuer, and the defendants obtained judgment against a Mr. and Mrs. Watts, the latter of whom had given a bill of sale to Mr. Furber for the goods sought to be taken in execution by the defendants. The plaintiff in the issue based his claim to the goods upon the bill of sale, and the defendants alleged that the bill of sale was bad upon the ground that the plaintiff was a moneylender and was not duly registered under the Moneylenders Act, 1900.

In support of the plaintiff's case his brother, Mr. R. Furber, a solicitor, said that he acted for Mrs. Watts and received on her behalf the money advanced on the bill of sale. He applied to his brother's firm to advance the money, and they made a valuation of the goods the subject of the bill of sale, and subsequently advanced the money upon them, making a charge of 15 per cent. on the amount advanced. The plaintiff, Mr. H. A. Furber, said that the business of his firm was that of auctioneers, estate agents, and valuers. That was their primary business, and recently Mr. Justice Swinfen Eady had

appointed his firm to sell a large estate for the Court. Their object in advancing money upon bills of sale was that by that means they obtained a valuation fee, in the first instance, and the business also brought them in touch with a class of persons from whom they got other business. They charged 15 per cent. interest as a regular rate. They never advertised or paid commissions to people introducing business, and they never discounted bills or lent money on personal security. In 1903 they had advanced money on ten bills of sale, and in the following three years, respectively upon 15, 17, and 22. In cross-examination he said that he became a partner in the firm in July 1903. Substantially any person who asked them for a loan on the security of chattels would receive that loan if the security were sufficient unless there was some personal objection to the applicant.

Mr. Montague Shearman, for the plaintiff, submitted that the fact that the plaintiff incidentally advanced money upon bills of sale in the course of a large legitimate business as a valuer did not bring him within the definition of a moneylender within section 6 of the Moneylenders Act, 1900. That section provides that "the "expression moneylender in this Act shall include every "person whose business is that of moneylending, or who "advertises or announces himself or holds himself out in "any way as carrying on that business, but shall not "include . . . . (*d*) any person *bonâ fide* . . . . "carrying on any business not having for its primary "object the lending of money in the course of which and "for the purposes whereof he lends money."

Mr. Clavell Salter, for the defendants, submitted that the plaintiff ought to be registered as a moneylender. He was a man who was ready and willing to lend money to all and sundry, provided they were, from his point of view, eligible applicants. The plaintiff and his predecessors in the firm had lent £86,000 in fourteen years on the security of bills of sale. The case he put was that the plaintiff carried on two legitimate businesses at the same time, in respect of one of which he ought to be registered as a moneylender. The plaintiff came within the first part of the exception in section 6 (*d*) referred to because he was a person who carried on a *bonâ fide* business not having for its primary object the lending of money, but he did not come within the second part because these transactions were not transactions in that business in the course of which and for the purposes whereof he lent money. The large sum lent by the plaintiff's firm had not been lent in the course of their business of valuers or auctioneers, and to say that the business of advancing money could be run together with and help the other business was a very different thing from saying that the lending of money was a natural incident of the business of an auctioneer and surveyor. He submitted that the bill of sale transaction was illegal, and that no property in the goods passed, assuming that registration was required. Registration was required under section 2, sub-section 1 (*c*), of the Act, because the business which the plaintiff *bonâ fide* carried on, apart from moneylending, was a business which did not involve the lending of money, and accordingly these moneys were not lent in the course of carrying on the business of an auctioneer and surveyor within section 6 of the Act. That being so, the bill of sale was bad and the defendants were entitled to the goods, the subject matter of the action.

JUDGMENT.

Mr. Justice Phillimore, in giving judgment for the plaintiff, said that the question was whether he was prevented from suing because he was an unregistered moneylender. He would not decide the question as to whether or not a man who had two *bonâ fide* businesses, one a moneylending business and the other something else, the latter business not being subsidiary to the former, would come within section 6 of the Act so as to make him liable to criminal proceedings under section 2 for failing to register himself. That point might well be taken if criminal proceedings were instituted in circumstances such as he had mentioned. With regard to the present case, he imagined that the Legislature knew something about business, and they would know that there were a great many solicitors who lent money of their own and who received in return, not merely and not primarily interest on that money, but profits on conveyances they might draw in connection with the advances or fees for preparing mortgage deeds and other documents, and that class of solicitor was certainly intended to be excluded from the operation of the Act. He thought in the same way that a man who was a salesman or a valuer might advance money on property which he subsequently had to sell, and in that way advance money by way of helping business. There was another class of solicitors who were held up to scorn, but who performed a very valuable service sometimes in taking up cases on behalf of poor people and children who might have been injured. They constantly lent money to enable such persons to support the necessary expenses of seeing doctors and other incidental expenses. They were entitled to do this and to have a reasonable interest for the money they had so lent. It seemed to him that the plaintiff had brought himself within the second part of the exception referred to of section 6 of the Act, as carrying on a business in the course and for the purposes of which he lent money, and that consequently he was under no obligation to register himself as a moneylender. That being so, the bill of sale was good and the plaintiff was entitled to judgment as against the execution creditor.

(23 *Times Law Reports*, 362.)

Law Reports.

Bankruptcies and Insolvencies.

COURT OF APPEAL.

March 15.

(Before COZENS-HARDY, M.R., VAUGHAN WILLIAMS and BUCKLEY, L.JJ.)

In re **Van Laun**; *ex parte* **The International Assets Company, Lim.**

Bankruptcy—Discharge—Assets not equal to 10s. in the pound —Burden of Proof—Official Receiver's Report—Bankruptcy Act, 1890 (53 & 54 *Vict. c.* 71), *s.* 8.

This was an appeal by certain creditors of Mr. Henry Theodore Van Laun, freight contractor, St. Helen's Place, Bishopsgate Street, E.C., against an order for discharge granted to the debtor by Mr. Registrar Linklater. The debtor was adjudged bankrupt on April 28 last, and filed a statement of affairs showing liabilities amounting to £25,024 13s. 4d., and assets which were estimated by the bankrupt to realise £61,447 11s. 7d. A sum of £1,327 7s. 3d. had been realised, and the Official Receiver was of opinion that the value of the remaining assets was uncertain. The bankrupt had stated that from 1879 to 1889 he carried on business as a general merchant in Cornhill, and subsequently in St. Helen's Place. In 1892 he acquired a concession to construct a railway from Beira to Umtali, and eventually became chairman and a director of the Beira Railway Company, Lim., to which he sold the concession for £295,000 in shares. He had since disposed of his holding in this company. He had also entered into large freight contracts, including a contract made in 1900 with the Imperial Yeomanry Committee for the shipment of Hungarian horses to South Africa; a contract made by him and an agent of the German Government in August 1900 for the supply of cattle to German troops in China; and a contract for the transport of Russian troops from Odessa to Vladivostok. The bankrupt attributed his failure to delays and losses in connection with these contracts. Mr. Registrar Linklater granted the order for discharge. Some of the creditors appealed.

JUDGMENT.

The Court dismissed the appeal.

The Master of the Rolls said that this was an appeal against a decision of the Registrar who had granted an order of discharge. That had been done under the jurisdiction conferred by section 8 of the Bankruptcy Act, 1890. The preliminaries required by sub-section 1 of that section had been complied with, and his Lordship thought that on the first part of sub-section 2 the jurisdiction of the Registrar to grant or refuse an order for discharge was absolute unless, and so far as, it was fettered by the subsequent proviso, for that proviso said, among other things, that the Court must either refuse a discharge, or suspend it, or require the bankrupt as a condition of his discharge to consent to judgment being entered against him on proof of certain facts of which the material one in the present case was proof that the assets were not of sufficient value to pay 10s. in the pound. By sub-section 4 a bankrupt's assets were to be deemed to be of a value equal to 10s. in the pound when the Court was satisfied that the bankrupt's assets had realised, or were likely to realise, or with due care in realisation might have realised, an amount equal to 10s. in the pound on his unsecured liabilities. The proviso depended on proof of the facts, and the proof might be, and generally was, the report of the Official Receiver, which was made *primâ facie* evidence by sub-section 5, and the Registrar was bound to consider the report of the Official Receiver. His Lordship had looked at the report of the Official Receiver in the present case with the greatest care, and he could not see that there was any evidence there on which the Court could be satisfied that the bankrupt's assets could not realise 10s. in the pound, and he had no doubt that it rested with those who wished to bring the proviso into force to take upon themselves the burden of proof. He regretted that the Official Receiver had not thought it possible or consistent with his duty to make some definite statement upon which the Court might perhaps have acted with greater confidence than it did. But, as the matter stood, his Lordship thought that the learned Registrar had jurisdiction to make the order for discharge, because the proviso had never come into operation. It was said that the Official Receiver's report was so uncertain that the case ought to have been adjourned for further evidence. Whatever members of the Court might have done in the present case if sitting as Judges of first instance, his Lordship thought it would be wrong for them to interfere with the discretion of the Registrar on such a matter as the adjournment of a case. The appeal must, therefore, be dismissed.

The Lords Justices also delivered judgments dismissing the appeal.

(23 *Times Law Reports*, 371.)

COURT OF APPEAL.

15th and 26th March.

Re **Button**; *ex parte* **Havaside.**

Bankruptcy—Proof for Damages by Owner of Goods which have Passed to the Trustee as in Order and Disposition of Bankrupt—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *secs.* 37, 44.

Appeal from a decision of Bigham, J., given on the 21st of January 1907 (reported 36 *Acct.* L.R. 32), affirming the

rejection of a proof by the trustee in the bankruptcy. The bankrupt had carried on business as a dealer in curios and antiques, and the appellant Havaside was a frequent customer of the bankrupt. The bankrupt filed his petition on the 10th of March 1906, and at that date Havaside had about £700 worth of goods on the bankrupt's premises. Some of the goods had been bought from the bankrupt, and left with him until required, others had been left to be repaired, others for the bankrupt to sell. The trustee claimed these goods as part of the property of the bankrupt divisible among his creditors on the ground that they were in the order and disposition of the bankrupt with the consent of the true owner at the date of the commencement of the bankruptcy. On the 25th of June 1906 Bigham, J., made an order allowing the trustee's application: *Re Button; ex parte White v. Havaside* (50 S.J. 578). In August 1906, Havaside proved in the bankruptcy for £715 16s. 6d., the estimated fair selling value of the goods, alternatively for the same amount as damages for breach of a contract of bailment. The trustee rejected the proof, and Bigham, J., affirmed the trustee's decision. Counsel for the appellant contended that he was entitled to have his proof admitted for damages for breach of a contract of bailment. The bankrupt's contract was an agreement to sell or re-deliver the goods. The bankruptcy did not terminate the obligations of the contract, but turned the remedy of action for breach of contract into proof, and under the wide terms of section 37 of the Bankruptcy Act, 1883, such a claim was provable and ought to be admitted. They cited the dictum of Lord Redesdale in *Joy v. Campbell* (Sch. & L., at p. 338): "If a "man were to purchase goods and pay for them, and "permitted them to remain in the hands of the seller, who "became bankrupt, he would be a creditor for the amount of "the money he paid for the purchase." If the goods of one man are taken to pay for the debts of another, he has in general a right of indemnity: *Edmunds v. Wallingford* (33 W.R. 647, 14 Q.B.D. 811). They also referred to Christian's Bankrupt Law, vol. 1, p. 214 (2nd ed., 1818); Montagu and Ayrton's Bankrupt Laws (2nd ed., 1844), p. 290; *Utterson v. Vernon* (3 T.R., at p. 548); and Cooke's Bankrupt Laws (8 ed., 1823), p. 343. Counsel for the respondent contended that in this case there were no liquidated damages on which a proof could be based. Apart from the bankruptcy, the appellant's only claim would have been for the return of the goods or damages for their detention. The damages here were caused, firstly, by the operation of the statute; secondly, by the default of the appellant in leaving his goods in the custody of the bankrupt and not demanding their return. A person injured by the operation of the statute has no right to prove or claim damages unless that right is expressly given by the statute. Such right is given in two cases, and in two cases only, viz., in the case of proof for damages arising from disclaimer, and in the case of proof for rent which cannot be obtained by distress (sections 55 and 42).

The Court reserved judgment.

JUDGMENT.

March 26.—Cozens-Hardy, M.R.—I have read and agree with the judgment of Vaughan-Williams, L.J.

Vaughan-Williams, L.J.—I think this is a case of great difficulty. Bigham, J., affirmed the rejection of the proof in question, holding that there was nothing in the two contentions made before him, viz., that by presenting his own petition the bankrupt wrongfully terminated the contract of bailment, and so gave the appellant a right of proof for damages; and that to reject this proof would be to violate a well-known principle of law that where one man's goods are lawfully taken to satisfy another man's debt the owner of the goods shall have a remedy against the debtor for an indemnity: *Exall v. Partridge* (3 T.R. 308). *Edmunds v. Wallingford* (14 Q.B.D. 811). I agree with him as to the first contention, for a man has a perfect right to file his own petition: *Ex parte Painter* (43 W.R. 144; 1895, 1 Q.B. 85), but I do not agree as to the second. There is very little authority upon the point, because in all the Bankruptcy Acts prior to 1869 goods in order and disposition did not pass to the trustee upon adjudication, but an order for the sale was required in order to vest them in the trustee: *Heslop v. Baker* (6 Exch. 740). Further, under the old laws there could be no proof in a claim of this kind, because the only claims provable were those which were in existence at the date of the commencement of the bankruptcy. Such authorities as there are are cases where there was a debt which had arisen in respect of the goods in question, *e.g.*, cases where a purchaser had left goods bought by him in the hands of the vendor, and none of them carry one very far. (His Lordship then referred to the authorities cited in the argument.) I shall deal with this case independently of any authorities, except the cases of *Exall v. Partridge* and *Edmunds v. Wallingford*. I think the principle of those authorities applies, and that the severity of the doctrine of reputed ownership may be mitigated by allowing the admission of the proof in this case.

Buckley, L.J. (after stating the facts).—In this case, apart from the bankruptcy, the creditor would have had a right of action against the debtor. The statute has taken away his goods, but I do not think it has taken away his remedies for the loss of his goods. It is quite true that if the appellant is right the creditors only get his goods upon the terms that they shall pay for them in the shape of dividends on his proof, but that is a conclusion which I do not shrink from. This liability arose by reason of an obligation of prior date to the bankruptcy, and I agree that the proof should be admitted. Appeal allowed.

(51 S.J. 373.)

KING'S BENCH DIVISION.

March 19.

(Before BIGHAM, J.)

In re **Sims**; *ex parte* **The Board of Trade.**

Bankruptcy—Trustee—Improper Retainer of Money—Penal Interest—Claim to Interest—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 74.

Motion.

A trustee in bankruptcy retained money for a period of two years, and thereby rendered himself liable to pay interest at the rate of 20 per cent. The penal interest amounted to £109, and there was due from the estate to him the sum of £90. The trustee did not dispute his liability to pay the interest, but the Board of Trade doubted whether they could allow him to set off against it the £90 due to him from the estate. This question depended upon whether the interest went to the credit of the bankrupt's estate, or was payable to the Treasury. The practice had been to treat it as due to the Treasury. The Board of Trade now moved for a declaration that the trustee was liable to pay £109 to the Bankruptcy Estates Account, that the Board of Trade was entitled to apply the £90 in part satisfaction of the £109, and that the Board was entitled to the balance.

The trustee did not appear.

JUDGMENT.

Bigham, J., held that the £90 could be set off against the £109. The reason for the exaction of penal interest was that it might be fairly inferred that the trustee had been using the money to make a profit on his own account, and that any such profit was money received to the use of the estate, and ought to have been paid into the Bankruptcy Estates Account. The penal interest was therefore money which the trustee owed to the bankrupt's estate, and was not due to the Treasury.

(L.J., 233.)

Company Law.

CHANCERY DIVISION.

March 22.

(Before PARKER, J.)

Day *v.* **The Kent Collieries, Lim.**

Company—Debentures—Regulations in Trust Deed for Meetings of Holders—Voting—Nominal Value of Debentures—Actual Debt Secured—Power to Reissue Paid-off Debentures.

The regulations as to meetings of debenture-holders contained in a schedule to the trust deed securing an issue of £150,000 debentures made by the defendant company provided that on a poll every registered debenture-holder should be entitled to one vote in respect of every principal sum of £10 secured by the debentures in respect of which he was entitled to vote. All debenture-holders, whether present or not, were to be bound by extraordinary resolutions, defined as resolutions passed at a meeting at which a clear majority in value of the debenture-holders should be present in person or by proxy by a majority consisting of holders of not less than three-fourths in value of the debentures represented at the meeting, whether upon a show of hands or a poll. At a meeting held on December 20th 1906 to consider a resolution extending the period for repayment of the debentures and otherwise modifying the trust deed, and giving the company power to reissue paid-off debentures, the resolution was lost on a show of hands, but carried on a poll by 10,850 votes to 2,996. Of the 10,850 votes 5,521 were those of nominees of a bank, who held debentures of the nominal amount of £55,210 as security for an overdraft of £25,000. This was a motion by the plaintiff for an injunction to restrain the company and the trustees of the deed from acting on the resolution, it being contended by him that on the true construction of the regulations the bank's nominees were entitled to vote only in respect of the actual debt due to the bank, and not in respect of the nominal value of their debentures, and also that the power to reissue paid-off debentures was *ultra vires*.

JUDGMENT.

Parker, J., said that with regard to the first point the words "secured by the debentures in respect of which he is entitled to vote" meant, in his opinion, the amount which the company owed under the covenant in the debentures, and holders were entitled to prove for the whole face value of their debentures, though only entitled to receive a dividend equalling the amount due. "In value of" and "secured by" were convertible terms. As to the second point, no doubt the company could not reissue paid-off debentures; but the words ought to be construed, on the principle *Verba ita sunt intelligenda ut res magis valeat quam pereat*, as meaning only power to issue debentures in the place of those paid off, to rank *pari passu* with those not paid off.

The motion therefore failed.

(L.J. 232.)

Miscellaneous.

COURT OF APPEAL.

March 19.

(Before COZENS-HARDY, M.R., and BUCKLEY, L.J.)

Moore *v.* Smee & Cornish.

Landlord and Tenant—Rent under Original Lease in Arrear—Action for Recovery of Premises—Sub-Lessee in Possession—"Tenant"—Tender of Rent and Costs—Stay of Proceedings—Common Law Procedure Act, 1852 (15 & 16 *Vict. c.* 76), *s.* 212.

In October 1868 five houses in Grove Terrace, Forest Hill, were demised to E. Smee for ninety-nine years from September 29th 1868 at a rent of £25, the lease containing the usual proviso for re-entry on non-payment of rent.

In December 1879 the premises were demised by B. J. Mills by way of underlease to W. Reynolds for ninety-nine years less twenty-one days from September 29th 1868 at a rent of £25. Reynolds mortgaged the premises by sub-demise to Charles Cornish the elder, and he in December 1888 entered into possession as mortgagee, and remained in possession until his death in October 1897. By his will he gave the premises to his nephew, the defendant Cornish, subject to the rent reserved by and the covenants and conditions in the lease under which the same were held. The defendant entered into possession, and paid the rent of £25 to the freeholders down to December 1906, when it became in arrear. The freeholders thereupon brought this action against Smee, the original lessee, and Cornish, and claimed possession. The defendant Cornish tendered to the plaintiffs the rent in arrear, and £3 3s. for costs, but they would not accept the same, and he then took out a summons under section 212 of the Common Law Procedure Act, 1852, asking for a stay of the proceedings in the action, and for relief against forfeiture. The Master declined to grant any relief, on the ground that the defendant Cornish had not proved any title under the original lessee.

Ridley, J., affirmed the decision of the Master.

The defendant Cornish appealed.

JUDGMENT.

Their Lordships reversed the decision of Ridley, J.

Cozens-Hardy, M.R., in deciding in favour of the appellant, said that the case was one of considerable importance having regard to the fact that leases for long terms of years were very common, and that it it was equally common for underleases to be granted which were disposed of in the course of years to persons who did not know, and as the law now stood were not entitled to know, the title under which the underleases were derived. The only question here was whether the appellant was a "tenant" within section 212 of the Common Law Procedure Act, 1852. In *Doe (dec.) Wyatt v. Byron* (1845, 14 L.J.R. C. P. 207; 1 C. B. 623), it was decided that, under section 4 of the statute 4 Geo. II. c. 28, which was precisely similar to section 212 of the Act of 1852, an under-lessee against whom ejectment proceedings were brought was a tenant within the scope of the section; and, applying that case, his Lordship held that the appellant was entitled to the relief for which he asked.

Buckley, L.J., concurred. Appeal allowed.

(L.J. 231).

Law Reports.

Administration.

COURT OF APPEAL.

April 18 and 19.

(Before COZENS-HARDY, M.R., BARNES, P., and KENNEDY, L.J.)

Re **Slater** (*deceased*); **Slater** *v.* **Slater.**

Will—Legacy—Specific Gift—Ademption · Wills Act, 1837 (7 *Will.* 4 & 1 *Vict. c.* 26), *s.* 24.

This was an appeal from a decision of Joyce, J. (reported 54 W.R. 602; 1906, 2 Ch. 480). The testator, Jas. Slater, by his will dated the 8th of February 1904, bequeathed to his wife, Catherine P. Slater, the interest during her life from moneys invested in (*inter alia*) stock of Lambeth Water Co. At the date of the will the testator was possessed of £1,075 10 per cent. stock in the Lambeth Water Co. The Metropolitan Water Companies Act was passed on the 18th of December 1902, and in pursuance thereof the Metropolitan Water Board, on the 24th of June 1904, took over the undertaking of the Lambeth Company. On the 7th of July 1904 the Lambeth Water Co. passed a resolution to take stock of the Metropolitan Water Board instead of cash, and £3,379 3 per cent. Metropolitan Water Board B Stock was allotted to the testator in respect of his holding in the Lambeth Water Co. The testator died on the 15th of May 1905, and he held this stock at the date of his death. The point to be decided was whether the Metropolitan Water Board Stock passed under the gift in the will. Joyce, J., held that it did not pass. The widow appealed.

JUDGMENT.

The Court dismissed the appeal.

Cozens-Hardy, M.R., stated the facts and continued: There are two points which arise. It is said that the provisions of section 24 of the Wills Act require that this bequest should be construed as speaking from the date of the testator's death, and if that is so, there being nothing on which it can operate, the bequest fails. Alternatively it is said that even if you are to read into the language of this bequest words which make it apply in terms only to the stock as it existed at the date of the will, the bequest has been adeemed by what subsequently happened. Joyce, J., dealt with the case only on the former of these views. He held that section 24 of the Wills Act applied, there being no sufficient contrary intention shown in the will to exclude its operation. I agree with the learned Judge in that view. It seems to me that this is a will in which there is no expression of any contrary intention at all, or, at any rate, no sufficient expression of contrary intention to exclude the operation of section 24. Suppose that in the interval between the date of the will and the date of his death the testator had purchased £1,000 more Lambeth Waterworks Co. stock and had died before the completion of the purchase of that company's undertaking by the Water Board, it seems to me that the argument which then must have been addressed to the Court on behalf of the present appellant must have succeeded, viz., that the bequest covered all the Lambeth Waterworks Co. stock which the testator had at the date of his death, and that it is irrelevant to consider whether the amount at the date of the death was greater or less than at the date of the will. If that is so, it disposes of the appeal, and I will not go through the various authorities to which Joyce, J., referred. It has not been seriously argued that on that construction of the will the appellant can succeed merely on the ground that the money which at the date of the will was invested in the Lambeth Waterworks Co. stock can be traced. But supposing that construction of the will be wrong, and that there ought to be read into the will the words "which I now hold," then comes the question whether or no there has been ademption. Speaking for myself I think that this gift has been adeemed. There was a time when the Court held that ademption was dependent on the testator's intention, and, therefore, when a change in the subject-matter of the gift occurred by the act of a public authority, or at any rate without any exercise of will by the testator, ademption might not follow, but for many years that doctrine has ceased to be law, and I think it is now law that when you have a change of property effected by an Act of Parliament, ademption will follow unless the case can be brought within *Oakes v. Oakes* (9 Hare, 666), in which Turner, V.C., held that a bequest of shares was not revoked by reason of the conversion of the shares into stock under a resolution of the company made under the authority of an Act of Parliament. The Vice-Chancellor says: "The testator had this property at the time he made "his will, and it has since been changed in name or form "only. The question is whether a testator has at the time "of his death the same thing existing—it may be in a "different shape—yet substantially the same thing." Applying that reasoning to the present case, can the existing Metropolitan Water Board Stock be said to be substantially the same thing as the Lambeth Waterworks Co. stock which the testator held at the date of the will? Having regard to the circumstances of the conversion and the differences between the two stocks, I cannot think that it is the same thing. I feel bound to adopt the view which has been taken, not in one case only, but in many, that you have to ask yourself where is the subject-matter of the bequest, and if you cannot find it at the testator's death you cannot find it by tracing it into something else, unless the something else is substantially the same thing. The observations of Kay, J., in *Re Gray* (35 W.R. 795, 36 Ch.D. 205) govern the present case, though they were not neces-

sary for the decision of the point actually before that learned Judge. The appeal must be dismissed.

Barnes, P., and Kennedy, L.J., also delivered judgments dismissing the appeal.

(51 S.J. 426.)

Bankruptcies and Insolvencies.

KING'S BENCH DIVISION.

March 20.

(Before BIGHAM, J.)

Re **Weinberg; *ex parte* The Official Receiver.**

Bankruptcy—Enforcing Attendance of Witness for Private Examination — Conduct Money—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *secs.* 27, 142—*Bankruptcy Rules,* 1886, 1890, *rr.* 62, 66, 71, 92, *Forms* 149, 152, 164, 165.

Application by the Official Receiver on a report of Mr. Registrar Linklater for directions as to the method of enforcing the attendance of a witness summoned to attend a private examination under section 27 of the Bankruptcy Act, 1883. Directions were asked upon the following points: (1) Is it necessary to serve a summons to attend for examination under section 27 personally upon the witness? (2) Does the "reasonable sum" which has to be tendered to the witness include compensation for loss of time, or is a tender of reasonable conduct money sufficient? (3) When a warrant is issued to apprehend the witness and bring him up for examination does it authorise the detention of the witness in custody until the examination can be held? Counsel for the Official Receiver stated that the practice had been to require personal service of a summons in the same way as a subpœna, but contended that the practice was wrong, and pointed out the difference in form between a subpœna (Form 149) and a summons under section 27 (Form 152), and the fact that there is a special rule requiring personal service of a subpœna (rule 62), where there is no such rule as to a summons. He also referred on this point to rule 66 and *Ex parte Hawkins; re Bradbrook* (37 W.R. 700, 23 Q.B.D. 226). As to the "reasonable sum," he contended that conduct money only need be tendered to a witness before he comes; after he has come to the Court he can apply for further compensation for loss of time. He referred to rule 71 and to *Re Batson* (1 Manson, 45) and *Chamberlain v. Stoneham* (38 W.R. 107, 24 Q.B.D. 113). With regard to the detention of a witness taken under a warrant to bring him up for examination the difficulty arose that the form of warrant (Form 165) is not addressed to "the governor or keeper" of any gaol as is the case in the warrant of committal for contempt (Form 164). The form did not seem to contemplate anything more than the arrest of the witness and his immediate transportation to the Court to be examined, yet this was often impossible, and the witness had to be allowed to go free and so avoided examination.

JUDGMENT.

Bigham, J., gave the following directions: (1) Personal service of the summons is not necessary, it may be served by post as directed by section 142 and rule 92. (2) Conduct money is all that the witness is entitled to before he comes to the Court, and the amount thereof is to be measured by the distance which the witness has to come. It is to be sent with the summons in money or postal orders. (3) It is desirable that the officer who arrests the witness should be enabled to detain him for such reasonable period of imprisonment as may be necessary to ensure his attendance at the examination. What is a reasonable period will depend upon all the circumstances of each particular case. His Lordship stated on the 22nd of March that he would write to the Board of Trade asking them to take the necessary steps to have the form of warrant altered so as to include a direction to the governor or keeper of a gaol to receive the witness into custody.

(51 S.J. 388.)

Company Law.

KING'S BENCH DIVISION.

March 22.

(Before PARKER, J.)

Re **Kent Collieries, Lim.; Day *v.* Kent Collieries, Lim.**

Company—Debentures Issued as Collateral Security for Loan—Right to Vote.

Motion. By a trust deed dated the 1st of August 1905, and made between the company of the one part and Sir Owen Randal Slacke and Mr. Bernard Dale (as trustees for the debenture-holders) of the other part provision was made for securing debentures to the extent of £150,000 carrying interest at the rate of £6 per cent. per annum. The company by each debenture covenanted to pay the principal moneys secured to the registered holder "on February 1st "1907, or on such earlier day as the principal moneys "hereby secured become payable in accordance with the "conditions endorsed hereon." The third schedule to the trust deed contained provisions regulating meetings of the debenture-holders. Clause 1 provided: "The trustees or "either of them, or any director of the company or any "holder of debentures for an amount exceeding £400 may "respectively at any time convene a meeting of the "debenture-holders." Clause 3: "At any such meeting "persons present in person or by proxy and holding "one-twentieth of the nominal amount of the debentures "for the time being outstanding shall form a quorum." Clause 12 provided that at any meeting the registered

holders of the debentures should be entitled to vote in respect of such debentures. Clause 13: "At every such "meeting each voter shall on a show of hands be entitled "to one vote only, but at the poll he shall be entitled to "one vote in respect of every principal sum of £10 secured "by the debentures in respect of which he is entitled to "vote." By Clause 15 a meeting was empowered by extraordinary resolution "to sanction any modification or "compromise of the rights of the debenture-holders "against the company or against its property, whether "such rights shall arise under the debentures or otherwise," and "to assent to any modification of the provisions contained in these presents which shall be proposed by the company and sanctioned by the trustees." Clause 17: "The expression 'extraordinary resolution' "means a resolution passed at a meeting of the debenture-holders at which a clear majority in value of the "debenture-holders shall be present in person or by proxy, "duly convened and held in accordance with the provisions "herein contained by a majority consisting of holders of "not less than three-fourths in value of the debentures "represented at the meeting whether upon a show of hands "or at a poll." On the 3rd of July 1906 the company issued debentures for £55,210 (being the whole amount then unissued) to the London City and Midland Bank by way of collateral security for an existing loan and future overdraft up to the total amount of £25,000. On the 11th of December 1906 the company issued notices to the debenture-holders of a meeting to be held on the 20th of December at which resolutions were to be proposed for extending the time of payment of the principal sums secured by the debentures, increasing the rate of interest, modifying the trust deed, and giving the company power to re-issue paid-off debentures. At the meeting the resolution was carried by 10,850 votes against 2,996, amongst the votes in favour of it were 5,521 votes given by the nominees of the bank. It was objected that the bank's nominees were only entitled to vote to the extent of the indebtedness of the company to the bank and not to the extent of the face value of the debentures held by the bank. The chairman, however, declared that the resolution was passed, whereupon an action was commenced by a debenture-holder on behalf of himself and all other debenture-holders against the company and the trustees for an injunction to restrain the defendants from acting on the resolutions and for the appointment of a receiver and manager. It was argued for the plaintiff that the bank's nominees were not entitled to vote to the extent of the face value of the debentures issued to the bank but only to the extent of the indebtedness of the company to the bank; and, secondly, that the resolution to re-issue paid-off debentures was *ultra vires* the company and therefore void.

JUDGMENT.

Parker, J., in giving judgment, said: In this case two points are taken by the plaintiff. In the first place, it is said that the resolutions in question were not carried by the proper majority or, at any rate, were not voted for by the persons entitled to vote in accordance with the number of votes they were entitled to, but that the City and Midland Bank voted in respect of debentures held by them on a number of votes in excess of what on the true construction of the trust deed they were entitled to. [His Lordship then shortly stated the facts and continued:] What I really have to consider is, what is the meaning in clause 13 of the word "secured"? It is suggested by the plaintiff that it does not mean what the company owe by virtue of the covenant contained in the debentures, but that it means what the bank will ultimately get because of the security which has been given to them in the form of debentures for the £25,000. I think that the true construction of this clause, "secured by the debentures," is equivalent to what the company owe by virtue of the covenant contained in the debentures. Of course, it is well known that where debentures are held as collateral security in this way the debenture-holder is entitled to prove in a debenture-holder's action, when the assets are being distributed, for the total amount for which the company has given its covenant, although he cannot actually receive in respect of dividend more than what is due in respect of the loan secured. I think that is made additionally clear by the clause to which Mr. Gore-Browne called attention (clause 17), which defines an extraordinary resolution, and that extraordinary resolution has to be passed by a majority consisting of holders of not less than three-fourths in value of the debentures represented at the meeting, whether upon a show of hands or on a poll. These debentures were represented at the meeting and the amount represented is, I think, according to the true construction of this deed, the total amount secured by the covenant in the debentures. If it were not so it would lead in practice to a result which might on occasion be of considerable inconvenience, because where debentures were issued as collateral security, inquiry would have to be made on each occasion when the holders of these debentures were voting, as to what was the amount due upon the security in respect of which the debentures had been issued, and that might lead to very considerable inconvenience. Further, it seems to me on the true construction of this third schedule "the nominal amount of the debentures"—"the amount secured by the debentures" and "the value of the debentures," are all convertible terms and do mean practically the nominal amount of the debentures; in other words, what the company have, by their debentures, undertaken to pay. Therefore it appears to me that the plaintiff's first point cannot be upheld, and therefore that

the resolution was validly carried. The second point is different in its nature. The plaintiff suggests that the third head of the second resolution passed at the meeting—viz., "That the company shall have power to re-issue paid-off debentures," was *ultra vires*. The fourth head of the resolution gives power to the trustees to execute a trust deed for carrying out the resolution, a draft of which has been submitted to the meeting. The draft of the trust deed contains a clause or sub-clause in these words: "Clause 1 of the conditions attached to the said debentures "and said form shall be altered by substituting for the "words 'this debenture is one of a series of 150,000 deben-"tures' the following words: 'this debenture is one of a "series not exceeding at any one time £150,000' and by "adding at the end of the clause 'Any of such debentures "when paid off may be re-issued and when so re-issued "shall entitle the holders thereof to the same rights as "the original holders thereof." Now the whole of the argument turns upon the word "re-issue." Of course, it has been decided in various cases that where a debenture has been paid off and delivered to the company it is a dead thing, and the company cannot re-issue it in the sense of giving security, but a fresh seal by the company is required, and if one comes to consider priorities of parties, a freshly sealed debenture would not be in exactly the same position as a debenture re-issued, supposing the re-issue were valid. Is this resolution to be construed as trying to authorise the company to do that which they cannot do, or is it simply an inaccurate expression for doing that which they could lawfully be authorised to do—namely, borrow further money upon the terms of issuing debentures to the persons who advanced that money, which debentures are to rank *pari passu* with the debentures of the original issue which have not yet been paid off? I think the maxim *verba ita sunt intelligenda ut res magis valeat quam pereat* applies, and in my opinion it is reasonable to construe this as giving the company the power to issue debentures upon certain terms—terms which affect the holders of debentures and impose upon them the liability of having other people let in to rank *pari passu* with them up to a certain amount—namely, £150,000. That being so, it seems to me the motion fails.

(51 S.J. 411.)

Miscellaneous.

BANGOR COUNTY COURT.

April 22.

(Before his Honour Judge Moss.)

Edward Parry *v.* J. A. Palmer.

Deed of Arrangement—Alleged Breach of Trust—Application to Remove Trustee and for an Account.

The facts of this case were as follows:—Edward Parry, Junr., a Llanfairfechan tradesman, finding himself in temporary financial difficulties, applied to Mr. J. A. Palmer, accountant, Newhall Street, Birmingham, for help. A deed of arrangement was entered into, whereby Parry was to pay £4 monthly to Palmer as trustee, Palmer to divide the sum so received every three months amongst Parry's creditors. In all, it was alleged, Parry paid to Palmer £136. Parry last February brought an action against Palmer claiming an account of all moneys paid by Palmer to Parry's creditors and of all disbursements under the deed of arrangement, also that Palmer be deprived of all remuneration under the deed, and the deed itself be cancelled, and that Palmer pay to Parry the balance after deducting the sums actually paid to creditors. Parry further claimed £50 damages from Palmer for sending auctioneers to take possession of Parry's effects.

JUDGMENT.

In giving judgment, Judge Moss said that, despite numerous applications, Palmer failed to supply Parry with satisfactory accounts, and also ignored the demands of the creditors. Parry's total indebtedness was £290 to fifteen creditors, the majority of whom refused to assent to the deed. Altogether Parry had paid Palmer £287, yet, according to the Board of Trade returns, Palmer's total payment to Parry's creditors came to £34 16s. 6d. The Judge found that Palmer had committed serious breaches of trust under the deed, and, in spite of the admitted fact that he had large sums in hand, he delayed paying the first, second, and third dividends until eight, twenty-one, and twenty-six months after date respectively, and even then only seven, five, and three creditors respectively received dividends. Palmer claimed £38 8s. 6d. for various "expenses." These would be disallowed, but, after deducting other charges from the amount in Palmer's hands, the Judge found there remained a sum of £94 odd. He found, therefore, that Palmer had been guilty of a breach of trust in not distributing the money received by him under the deed. He had made returns to the Board of Trade which, to say the least, were not accurate. In no case was a single return made within the prescribed time. He had persistently refused to supply Parry and the creditors with accounts. As to Parry's present claim, the Judge ordered defendant to pay to the Registrar the balance of £94 odd shown to be in his hands; that the banker holding that sum for defendant be ordered not to part with it except to the Registrar; and that defendant be deprived of all remuneration as trustee. He could not cancel the deed of arrangement, but ordered it to be handed over to the Registrar of the Court to keep till a receiver was appointed, to whom the Registrar would pay the £94 odd to carry out the trust of the deed. He further made an order removing Palmer from the trusteeship. He would not, having disallowed Palmer's remuneration as trustee, give the £50 damages claimed. He would appoint a receiver as soon as a fit and proper person was approved by him, and he would be directed to pay all unpaid creditors, to make proper returns to the Board of Trade, and pay the balance, if any, to Parry. A stay of execution was refused, though the Judge said he would have had no objection to grant it if the money had been paid.

(*Birmingham Post.*)

Law Reports.

Bankruptcies and Insolvencies.

COURT OF APPEAL.

April 26

(Before COZENS-HARDY, M.R., BARNES, P., and KENNEDY, L.J.).

Re **Saumarez**; *ex parte* **The Trustee.**

Bankruptcy — Deed of Arrangement — Registration — Deeds of Arrangement Act, 1887 (50 & 51 *Vict. c.* 57), *secs.* 4, 5, 6, 19.

Appeal from a decision of Bigham, J. [reported 36 *Acct.* L.R. 55]. In October 1905, the bankrupt got into difficulties and called a meeting of his pressing creditors. As the result of the meeting a memorandum was executed by the bankrupt and those creditors, whereby the creditors agreed to take no proceedings against the bankrupt in consideration of his agreeing to hand over certain director's fees and other assets to a trustee to be appointed for the creditors. In pursuance of the above memorandum the bankrupt executed a deed on the 15th of January 1906, whereby he assigned his assets to a trustee for the benefit of the creditors who had joined in the memorandum and for no others. Neither the memorandum nor the deed of assignment was registered in accordance with sections 5 and 6 of the Deeds of Arrangement Act, 1887. On the 20th of September 1906 a receiving order was made against the bankrupt; he was adjudicated on the 24th of September, and a trustee was appointed on the 12th of October. On the 20th of March 1907 the trustee moved before Bigham, J., for an order setting aside the deed on the ground that it was void for want of registration. Bigham, J., dismissed the application, whereupon the trustee appealed. Counsel for the appellant contended that when a debtor deals with any class of creditors, especially when there is an arrangement that the majority of the class has power to bind the minority, the deed must be registered. Section 4 of the Deeds of Arrangement Act applies the provisions of that Act to assignments "for the benefit of creditors generally," but the definition section (section 19) enlarges the meaning of "creditors generally" by defining those words as including "all creditors who may assent or take the benefit of a deed of arrangement." This being a deed for the benefit of all the creditors who have the right to take the benefit of it is a deed "for the benefit of creditors generally." They referred to the dicta of Vaughan Williams, L.J., in *Hedges v. Preston* (80 L.T., at p. 849). Counsel for the respondent contended that the object of the definition in section 19 was to bring within the Act deeds in the form which was very common before the passing of the Act, viz., for the benefit of certain named creditors and of "all other creditors who may accede to these presents." In defining the words "assignment . . . for the benefit of creditors generally" in the Bankruptcy Act, 1883, s. 4, subsection 1 (*a*), the Court has held that a deed of assignment for the benefit of trade creditors only is not an assignment for the benefit of creditors generally: *Re Phillips*; *ex parte Barton* (49 W.R. 16; 1900, 2 Q.B. 329).

JUDGMENT.

Cozens-Hardy, M.R.: In this case I cannot differ from the judgment of Bigham, J., and I come to that conclusion with regret, for I think that this decision tends to show a possible omission in the Deeds of Arrangement Act, 1887. The present deed is one which only contemplates eleven creditors coming in under it, and leaves a considerable number outside who have no option of taking the benefit of it. Reading section 4 of the Deeds of Arrangement Act alone it is impossible to say that such a deed is "for the benefit of creditors generally." It has been argued that section 19 entirely changes the meaning of "creditors generally," but in my view section 19 means no more than this, that a deed which on the face of it is not for the benefit of all the creditors—*e.g.*, because it fixes a time limit within which creditors who wish to come in under it must signify their assent—is none the less within the Act although all the creditors may not have assented to it. With regard to the dicta of Vaughan Williams, L.J., in *Hedges v. Preston*, when they are fairly read it is clear that they were not necessary for the decision of that case, nor are they really in point in the present case.

Barnes, P.: I concur. The view contended for here is that section 19 so extends section 4 as to make a deed for the benefit of some few creditors a deed for the benefit of creditors generally. I agree with the contention for the respondent that it applies to deeds for certain named creditors and all others who may accede thereto. It contemplates a deed already started to which all the other creditors may afterwards assent.

Kennedy, L.J.: The correctness of the judgment of Bigham, J., is clear. I should be sorry to construe a definition clause in a statute so as to make such an extension of or difference in the meaning of words used in a prior clause as has been contended for by the appellant. I think that the definition clause was inserted so as to include deeds in the form mentioned by counsel for the respondent. I cannot myself see that the dicta of Vaughan Williams, L.J., are in favour of the appellant. It has been contended that a deed for the benefit of a class of creditors comes within the Act, but what Vaughan Williams, L.J., says is: "If the "deed . . . is a deed for the benefit of creditors as a "class the deed is one which comes within the Act."

Appeal dismissed.

(51 S.J. 447.)

CHANCERY DIVISION.

April 24.

(Before KEKEWICH, J.)

The Ideal Bedding Company, Lim. v. Holland.

Fraudulent Conveyance—Creditors — Equitable Reversionary Interest—Personal Property—13 Eliz. c. 5.

This was an action for a declaration that a settlement made by the defendant was void as against his creditors, and raised an interesting point—viz., whether a reversionary interest was within the statute 13 Eliz. c. 5, which makes all deeds void if made with intent to defeat the rights of creditors. It appeared that the plaintiffs carried on business at Toronto and that the defendant had been in their employment as bookkeeper and cashier, and, while in such employment, he had appropriated to his own use moneys of the plaintiffs. The defalcations were discovered by the plaintiffs in November 1905, and were acknowledged by the defendant. In January 1906 he suddenly left Toronto, and was subsequently arrested in England and lodged in prison pending an order for his return to Toronto under the Fugitive Offenders Act, 1881, which was made on March 16 1906. While in prison he executed a deed of settlement of his reversionary interest in personalty under his father's will. (The interest he took under his father's will is more particularly set out in the judgment). By that deed, dated February 13 1906, he assigned all his share and interest under the will upon trust as soon as the same should fall into possession for his wife and children. The defendant had one child, aged four, and he and the defendant's wife were defendants to the action. On March 31 1906 the plaintiff company recovered judgment in the King's Bench Division against the defendant for £2,875 8s. 4d., the amount appropriated by him. It was contended on behalf of the plaintiffs that the settlement was fraudulent, being made to the end and intent to delay and defraud his creditors, that it was not made for valuable consideration, and that the defendant was insolvent at the date of the settlement, and had no property other than the reversionary interest under the will. It was contended on behalf of the defendant Holland that he was not insolvent at the date of the settlement, that he had given security to the plaintiffs for the moneys due from him, and that the settlement in question did not delay or defeat his creditors.

JUDGMENT.

Mr. Justice Kekewich read the following judgment:—After hearing the evidence, I was satisfied that the insolvency of the settlor at the date of the settlement in question was sufficiently proved, and that the circumstances under which the settlement was executed were such as to render it obnoxious to the statute 13 Eliz. c. 5, if, having regard to the provisions of that statute and the property purporting to be conveyed, the settlement ought to rank as one made to delay, hinder, or defraud creditors. On the question whether the settlement was of this character I reserved judgment. The solution of that question depends on this—Would the settlement, if it stands, take anything out of the reach of the creditors, or, in other words, would they be in any worse position than if the settlement had never been executed? It was said that the plaintiffs are not entitled to sue on this footing, because, although they were undoubtedly creditors at the date of the settlement, their debt has been merged in a judgment recovered by them against the settlor, and can no longer support a right of action. The answer to this is that, even if the plaintiffs' debt ought to be strictly regarded as subsequent to the settlement, the plaintiffs can sue in respect thereof, there being sufficient evidence that debts due at the date of the settlement still remain unpaid. Probably the operation of no statute has been affected so much by subsequent legislation as that of 13 Eliz. c. 5. Property which was not originally within the reach of creditors has from time to time been brought within their reach, and whenever that has been done the Courts have been prompt to recognise that such property can be disposed of fraudulently as against creditors—that is, so as to delay, hinder, or defraud them in pursuing newly-conferred rights of procedure. It was but faintly, if at all, contended that the property comprised in the settlement in question, to be presently described, fell within the mischief of the statute by any subsequent alterations of the law other than two, namely—first, the Act of 1 & 2 Vict. c. 110, section 14, and, secondly, the modern procedure known as equitable execution; and I do not propose to deal with any others or the authorities respecting them. In order to see whether the plaintiffs' rights have by these two specified alterations been in any wise enlarged, it is necessary to consider what the debtor had to convey by the settlement. It purports to deal only with the interest of the settlor under the will of his father, John Holland. By that will the testator gave all his residuary estate which consisted of personalty upon trusts for sale and investment of the proceeds, and he directed the investments to be held upon trust to pay his wife the annual income on the sum of £9,000 for her life or widowhood, and on her second marriage to pay her the income of £4,000 for the remainder of her life. He further directed that on her second marriage there should be made certain payments, including one of £1,000 to the settlor, his son Christopher Holland, and that on her death what remained of the £9,000 should be divided between his sons, the said Christopher Holland taking one-third. He disposed of the rest of his estate over and above the £9,000 in favour of his sons; but that is immaterial, as there was not more than enough to provide the £9,000. The wife is still alive, and there has been no second marriage, and the £9,000 is now represented by divers investments, which include a mortgage, as well as stocks, in the names of the trustees of the will. The

interest, therefore, of Christopher Holland, the settlor, has all along been and still is an equitable reversionary interest in the funds representing the £9,000, the investment of which may, of course, vary from time to time. Can such an interest be reached by a charging order under the provisions of 1 & 2 Vict. c. 110, section 14? Applicants under that section, which I will not here read at length, must be judgment creditors; but the plaintiffs fill that character, and the provisions of the section are conceived in such wide language that they apparently cover any case in which the judgment debtor has an equitable interest. There was raised in *South-Western Loan and Discount Company v. Robertson* (8 Q.B.D. 17) the question whether the section ought to be confined to cases where the judgment debtor is solely interested in the trust funds; but this was decided in the negative, and the point has, so far as I am aware, never again been mooted. The same case is an authority for holding that the provisions of the section extend to a reversionary interest, an extension which must now be treated as established, even apart from the enactment of 3 & 4 Vict. c. 82, section 1. The case of *Bolland v. Young* (1904, 2 K.B. 824) is a recent and further authority on this point. Against these there were cited *Dixon v. Wrench* (L.R. 4 Ex. 154). As regards that case, it is sufficient to quote the language of Lord Justice Stirling in *Bolland v. Young*, who says on p. 831 that the judgment "seems to have "proceeded on the ground that in that case there was an "imperative obligation to convert the shares into money at "a definite time, and that the only interest of the judgment "debtor was in the proceeds of that conversion and not in "the shares." Here, to again use the language of the Lord Justice at p. 832, there is no imperative trust for sale, and the judgment debtor may hereafter acquire an absolute title to a portion of the trust property in specie, and so long as it remains unsold he has an interest in it. Reading the observations which I have thus adopted, with the comments of the Lord Justice in the same case (at p. 831) on *Cragg v. Taylor* (L.R., 2 Ex., 131), I venture to doubt whether *Dixon v. Wrench* can be relied on as an authority to-day, but at any rate it is distinguishable from the present case on the grounds above stated. My conclusion, therefore, is that the plaintiffs might by proper proceedings, have obtained a charging order on Christopher Holland's interest under his father's will, and that the assignment of that interest in settlement has delayed, hindered, or defrauded them within the meaning of the statute. I had contemplated going somewhat fully into the question whether Christopher Holland's interest under his father's will could be reached by the process termed equitable execution, so that a settlement interfering with that process would be brought within the mischief of the statute of Elizabeth. After consulting many authorities and pondering over the matter, I have come to the conclusion that full treatment of this question would require something in the nature of a lecture or treatise which it is better to avoid unless absolutely necessary. My observations, therefore, do not pretend to be exhaustive. The authorities bearing on the point cannot be said to be wholly satisfactory, and the law must be taken to be still in the making. It seems to me that this remedy is competent in any case in which equity would of old have stepped in to enjoin or remove an obstacle to the enforcement of legal process; see *Harris v. Beauchamp* (1894, 1 Q.B., 801), and the practical application of that doctrine is to be seen from the passage from Mitford on Pleading, cited in the same case at p. 807, and the language used by Lord Justice Davey at the top of p. 811. I do not pause to consider the proper meaning of the term equitable execution. That has been done again and again, and all practitioners are perfectly aware that there is no execution at all, but that by the appointment of a receiver the judgment creditor can prevent the receipt by his debtor of anything to which he is equitably entitled. Notice of the appointment to the trustees in possession is, of course, necessary to perfect the title of the receiver, but this it would be his first duty to give. The question whether the Court could, or would, appoint a receiver of an equitable reversionary interest was distinctly raised in *Tyrrell v. Painton* (1895, 1 Q.B., 202), and the appointment was made on the express ground that according to the authorities that relief is a proper remedy when an *elegit* cannot be issued. Lord Justice Lindley, while recognising the difficulty that during the life of the tenant-for-life there would be nothing for the receiver to receive concurred in thinking that the appointment might properly be made, and thought that it might possibly be useful. I have no doubt that this decision and the principle of it have been frequently followed and applied, and that the plaintiffs might have obtained the appointment of a receiver in this instance. Of the real practical effect of such an appointment there is perhaps some reason for doubt, the authorities not being altogether explicit. It was established in *Flegg v. Prentis* (1892, 2 Ch., 428) that no declaration of charge can be made on a judgment debtor's reversionary personalty in favour of a judgment creditor who has obtained such an appointment, and it follows that the judgment creditor has no right to have his debt raised by sale or mortgage of that subjected to the receiver. And it was decided in *In re Potts* (1893, 1 Q.B., 648) that the order appointing a receiver does not make the judgment creditor a secured creditor within the meaning of the Bankruptcy Act, 1883. What, then, is the utility of such appointment indicated by Lord Justice Lindley in *Tyrrell v. Painton* (1895, 1 Q.B., at p. 206)? The Lord Justice to some extent answers the question himself. He says:—"The "appointment of a receiver does not create a charge, but it "operates as an injunction to restrain the defendant from "himself receiving the proceeds of sale." And in *In re Marquis of Anglesey* (1903, 2 Ch., 727), Mr. Justice Swinfen Eady

on p. 731 explains by reference to *Levasseur v. Mason & Barry, Lim.* (1891, 2 Q.B., 73) the advantage of obtaining such an order. The same learned Judge in the same case, in a passage immediately preceding that to which I have just referred, says:—"In my opinion it prevents the debtor from dealing "with the moneys to the prejudice of the judgment creditor; "and it also prevents any subsequent judgment creditor from "gaining priority over the creditor obtaining the order, if, "at the date when obtained, the property of the judgment "debtor cannot be taken in execution or made available by "any other legal process." It was urged in argument that this statement by Mr. Justice Swinfen Eady that the appointment of a receiver prevents the debtor from dealing with the moneys to the prejudice of the judgment creditor goes beyond and, indeed, contravenes other judicial expressions on the same point. That may be so, but I venture to think that his statement of the law will eventually prove to be sound. I do not myself see how the Court, after restraining the defendant from himself receiving the property, can stop short of granting whatever injunction is necessary to prevent its being received by others. The equitable principle involved in *Yescombe v. Landor* (28 Beav., 80), which has been adopted in other cases, points in that direction. But, be that as it may, I have said enough to show that the appointment of a receiver has some utility and is of some advantage to the judgment creditor as regards the equitable reversionary interest of the judgment debtor, and that suffices to bring the assignment of that interest, which prevents the appointment of a receiver, within the mischief of the statute of Elizabeth. Therefore, in my opinion, this settlement cannot stand against the creditors of the settlor represented by the plaintiffs, and they are entitled to judgment.

After further argument, his Lordship decided that the form of the order would be a declaration that the settlement was void as against creditors, and the trustee be ordered to join or concur in all acts necessary to make the property available for creditors. The plaintiffs were entitled to their costs as against the defendant Christopher Holland, but the trustee, not having acted dishonestly, must, under the circumstances, be allowed his costs as between solicitor and client out of the fund.

(23 *Times Law Reports*, 467.)

KING'S BENCH DIVISION.

April 22.

(Before BIGHAM, J.)

Re Summers; *ex parte* The Official Receiver.

Bankruptcy—Discharge—Order Granting Discharge subject to Bankrupt's Consent to Judgment—Power of Court to Revoke Order—Bankruptcy Act, 1883 (46 & 47 *Vict. c.* 52), *s.* 104—*Bankruptcy Act*, 1890 (53 & 54 *Vict. c.* 71), *s.* 8, *subsec.* 2 (*iv.*)—*Bankruptcy Rules*, 1886-1890, *rr.* 240, 244, 244A, 244B.

Reference to the Judge (Bigham, J.) from Mr. Registrar Linklater asking for a decision on the point whether the Court has power to revoke an order of discharge. On the 8th of August 1905 the Court made an order granting the bankrupt his discharge upon condition of his consenting to judgment being entered against him for the balance of the debts provable in his bankruptcy, which amounted to £7,709. It was further ordered that the said sum should be paid at the rate of £50 a year by instalments of £4 3s. 4d. per month, the first instalment to be paid upon the 1st of September 1905. The bankrupt paid nothing till the 12th of February 1906, when he paid £8 6s. 8d. On the 17th of February the Official Receiver filed a report showing that £16 13s. 4d. was then due, and on the 1st of March he filed a notice of motion for the revocation of the discharge. The motion came on for hearing on the 12th of March, when the bankrupt paid up the arrears, amounting to £20 6s. 8d., and no order was made. The bankrupt then again fell into arrears, and on the 25th of June the Court directed the Official Receiver to give notice to the bankrupt that unless the arrears were paid within fourteen days another application would be made to revoke his discharge. The Official Receiver gave such notice on the 30th of June and received no answer, so he filed a second report on the 27th of July and a second notice of motion on the 31st of July. On the 2nd of August the Court ordered the bankrupt to pay the arrears within fourteen days. On the 16th of August the bankrupt gave a post-dated cheque for the arrears, which was dishonoured on presentation on the 25th of August. On the 11th of October the bankrupt wrote to ask how much was due from him, and was informed that the amount was £29 3s. 4d., which he promised to pay by the end of November. Upon his failure to pay, the Official Receiver again moved for the revocation of the discharge, but the Registrar being in some doubt as to whether he had the power to revoke an order of discharge, referred the point to the Judge for his decision. Counsel for the Official Receiver contended that the Court had power to revoke the order under Section 104 of the Bankruptcy Act, 1883: "Every Court having jurisdiction in bankruptcy "under this Act may review, rescind, or vary any order "made by it under its bankruptcy jurisdiction." The Courts have been in favour of a wide interpretation of this section and of section 71 of the Act of 1869, which was in the same terms: *Ex parte Keighley; re Wike* (22 W.R. 630, L.R. 9 Ch. 667), *Re Tobias* (39 W.R. 399; 1891, 1 Q.B. 463).

Bigham, J., referred to rule 244A, which expressly gives the Court power to rescind a discharge under certain circumstances.

Counsel for the bankrupt contended that the only condition the bankrupt had to fulfil as the term of getting his discharge was to consent to the entry of judgment against him. He had given that consent, and his discharge could not now be revoked.

JUDGMENT.

Bigham, J.: The question which I have to determine is whether the Court has jurisdiction in any circumstances to revoke an order of discharge granted under section 8, sub-section 2 (iv.) of the Bankruptcy Act, 1890. I am of opinion that this order clearly was "an order made by the Court in the exercise of its bankruptcy jurisdiction" within section 104 of the Act of 1883, and therefore the Court has power "to review, rescind, or vary" it. A further question arises as to under what circumstances it can be reviewed, rescinded, or varied, and it has been argued that the bankrupt fulfilled all the conditions imposed upon him by consenting to judgment, and that therefore his discharge cannot be revoked. I do not agree with that contention, the condition imposed upon the bankrupt was a greater one than consenting to judgment; it was a consent to a judgment to be paid out of his future earnings and after-acquired property under such conditions as the Court might direct. It was not a mere consent to a judgment, but a consent to a judgment and to the performance of that judgment as well. If the Registrar should be satisfied upon inquiry that the bankrupt has been in receipt of earnings and has failed to pay the instalments as directed by the Court, then I think he would be entitled to hold that the conditions of the discharge have not been maintained and to revoke the order of discharge.

(51 S.J. 430.)

Company Law.

CHANCERY DIVISION.

March 26.

(Before PARKER, J.)

In re Hermann Lichtenstein & Co., Lim.

Company — Winding up — Creditors' Petition — Voluntary Winding up—"Prejudice" to Creditor—Compulsory Order —Companies Act, 1862 (25 & 26 *Vict. c.* 89), *s.* 145.

This was a creditor's petition for a compulsory winding-up order. The company was already in voluntary winding-up; its assets were covered by debentures giving a floating charge on its assets, and the debenture-holders had appointed a receiver. The substantial difference, if any, between the present case and *In re Crigglestone Coal Company* (22 *The Times* L.R. 585; (1906) 2 Ch. 327) was the existence of the voluntary winding-up, but the petitioner contended that in the circumstances *In re Bishop & Sons, Lim.* (1900, 2 Ch. 254) applied, inasmuch as a majority in value of the unsecured creditors supported the petition, although no case of "prejudice," within the meaning of section 145 of the Companies Act, 1862, was shown.

JUDGMENT.

Mr. Justice Parker said that the company had been in existence about fourteen months, and the petitioner was one of its unsecured creditors. It had been objected that as the company was in voluntary winding up the petitioner, in order to succeed must show that he would be "prejudiced by the voluntary winding up," within the meaning of section 145 of the Act of 1862. But in *In re Bishop & Sons, Lim.*, Mr. Justice Farwell held that a voluntary winding up was not a bar to a compulsory order if the general body of creditors desired such an order, although no case of prejudice was proved. In this case creditors to the amount of about £3,000 supported the petition. On the other hand, the voluntary liquidator had ascertained that creditors to the amount of about £2,000 were content to leave the winding up in the liquidator's hands. There was nothing to show what the wishes of the other creditors were. Both the petitioner and the liquidator had circularised the creditors, but neither circular was satisfactory as regarded the statements made therein. No creditor had actually given notice of his intention to oppose the petition, although the liquidator had letters from many creditors expressing their wishes. The petitioner had not made out that he would be prejudiced by the voluntary winding up, but he had made out a case for inquiry. Whatever rights debenture-holders had, it was not legitimate business, when their security was by way of floating charge and a company probably knew itself to be insolvent, to order goods (which at once became the property of the debenture-holders) and leave the persons who had supplied them as unsecured creditors of the company with practically nothing to satisfy them. Having regard to *In re Bishop & Sons, Lim.*, his Lordship said that he should be doing no harm if he made a compulsory winding-up order. No substantial costs would necessarily be incurred by the Official Receiver making inquiries as to the antecedents of the company. There must be the usual compulsory winding-up order. No personal charge was made against the voluntary liquidator.

(23 *Times Law Reports*, 424.)

CHANCERY DIVISION.

April 26.

(Before WARRINGTON, J.)

Sherwell *v.* Combined Incandescent Mantles Syndicate, Lim.

Company—Shares—Offer to the "Public"—Circulation of Prospectus by Directors among Friends—Companies Act, 1900 (63 & 64 *Vict. c.* 48), *s.* 4.

This case raised the question of the meaning of offering share capital to the public for subscription, within section 4 of the Companies Act, 1900. By the writ in this action, dated April 8 1907, the plaintiff claimed against the

defendants, the Combined Incandescent Mantles Syndicate, Lim., the return of £705, being the amount paid by him to the defendant company on application for 1,410 ordinary shares of £1 each in the company, the consideration for the same having failed, the defendant company not having within 40 days after the first issue of the prospectus (on February 15 1907) obtained the amount named in the prospectus as the minimum subscription, or in accordance with section 4 of the Companies Act, 1900, upon which the directors might proceed to allotment. He also claimed against the defendant company and the London and County Banking Company, Lim., an injunction to restrain the defendant company from drawing upon, and the bank from parting with, any moneys standing to the credit of the defendant company either on current or deposit accounts. The Combined Incandescent Mantles Syndicate, Lim., was incorporated on January 22 1907 under the Companies Acts, 1862 to 1900. The capital was £33,000 in shares of £1 each. A prospectus was drawn up, dated February 15 1907, upon which five gentlemen, among whom the plaintiff and one Mr. Charles Vinkeles Houssart were included, were named as the directors. It stated that the syndicate had been formed for the general purposes mentioned in the memorandum of association, and, in particular, to take over an option for a contract, dated January 24 1907. The minimum subscription upon which the directors would proceed to allotment was fixed at £5,000. The minimum was not subscribed. Applications were made for shares amounting to £3,812, and the sum of £1,906 was paid on application for such shares. The plaintiff had applied for 1,410 shares and had paid £705 in respect of them. He now moved for an injunction to restrain the company, their directors, officers, servants, and agents from drawing upon, and the defendants the London and County Banking Company, Lim., from parting with, any moneys standing to the credit of the Combined Incandescent Mantles Syndicate at the bank, either on current or deposit accounts, until the trial of the action, or until further order. The Companies Act, 1900, section 4 provides that "(1) No allotment shall be made of any share "capital of the company offered to the public for subscrip-"tion" unless certain conditions have been complied with, which, it was admitted, had not been complied with in the present case. Subsection 4 provides:—"(4) If the condi-"tions aforesaid have not been complied with on the expira-"tion of 40 days after the first issue of the prospectus, all "moneys received from applicants for shares shall be forth-"with repaid to the applicants without interest." Section 6 requires a certificate of the registrar before a company begins business. But both sections apply only in cases where there is an invitation to "the public" to subscribe for shares. The evidence showed that directors had been supplied with copies of the prospectus, which had been circulated among their friends and acquaintances. No single application for shares had resulted.

Mr. Justice Warrington said the motion was founded on the supposed right of the plaintiff as an applicant for shares to have his money returned to him under section 4, subsection 4, of the Companies Act, 1900. His suggestion was that he was entitled to be repaid the money which he had paid on his application for shares by virtue of that section, and that, if the money were drawn out of the bank, he would lose what he could otherwise have got under the section. It was not denied that, if share capital was offered to the public for subscription so that the section was applicable, the conditions had not been complied with. Whether or not capital had been offered to the public was a pure question of fact. Was it, or was it not, any share capital offered to the public for subscription? The history of the company was simple. A syndicate was formed, which was a promotion syndicate. It was never intended to carry on business. It was formed by a few gentlemen for the purpose of obtaining an option which might afterwards ripen into a contract for the acquisition of certain property. Upon the evidence it was never intended to apply, and the syndicate never did apply, to the public for subscription for their shares. The only colour which could be given to any such suggestion was that the directors did cause 1,000 copies of the prospectus to be printed, headed "Strictly private and confidential; not for publication." Was that an offer of shares to the public for subscription? In his opinion it was not. He thought that what the section meant by an offer of shares to the public for subscription was that there should be an offer of share capital by the company, and not an offer by some individual. It meant, in his judgment, an offer of shares to anyone who should choose to come in. The only evidence of there having been such an offer was that the directors other than Houssart had 20 copies of the prospectus, and that Houssart had 200 copies, which he appeared to have sent to his friends on his own account, without any authority from the company. The result of the evidence was that there was nothing but an intention on the part of the existing members of the company to keep the share capital to themselves and a few other persons whom they might like to bring in. The plaintiff had not made out that there had been any share capital offered to the public for subscription within the meaning of the Act. The result was that the application must be refused.

(23 *Times Law Reports*, 482.)

Miscellaneous.

KING'S BENCH DIVISION.

April 17.

(Before DARLING and PHILLIMORE, JJ.)

The Mayor, &c., of Hastings *v.* Letton and another.

Landlord and Tenant—Lease to Company—Surety for Payment of Rent during Term—Dissolution of Company—Liability of Surety—Companies Act, 1862 (25 & 26 *Vict. c.* 89, *s.* 143.

This was an appeal by the defendants from the decision of the Judge of the County Court of Sussex, sitting at

Hastings. The action was brought by the Corporation of Hastings against the defendants for rent alleged to be due under the provisions of a lease of certain premises granted by the corporation on July 17 1903 to a limited company, the two defendants being sureties for the payment of the rent due from the company. The lease was for seven years at an annual rental of £200, payable monthly, and by one of its terms it was provided that "the lessees do and "each of the sureties doth for himself covenant that the "lessees and sureties, or some or one of them, will during "the said term pay the said rent on the dates and in the "manner hereinbefore mentioned." The company got into difficulties, and in 1904, with the consent of the Corporation of Hastings, they assigned their lease to another company called the Southern Produce Company, the defendants remaining sureties on the same terms for the new company. On January 23 1906 the first company was finally dissolved, and in February resolutions for winding up the second company were passed. On May 9 the liquidator of this company filed his return, and by section 143 of the Companies Act, 1862, three months later, on August 9, the company was finally dissolved and ceased to exist. The liquidator tendered the key of the premises to the Town Clerk of the plaintiffs on August 9, and the sureties paid the rent due down to that date. The action was brought with respect to the rent due for the following month. The County Court Judge held that on the dissolution of the company the right to the unexpired portion of the lease vested in the Crown, and that consequently, as it was still in existence, the defendants were liable under their covenant for the remainder of the term.

Mr. Humphrys, for the defendants, contended that the company having ceased to exist the reversion of the lease had thereby become accelerated by operation of law, and that there being no longer any portion of the term outstanding the defendants were not liable. In support of this proposition he referred to Blackstone's Commentaries, 21st ed., Vol. I., p. 484, where the law is thus stated:—"But the body politic may also itself be dissolved in several "ways, which dissolution is the civil death of the corpora-"tion, and in this case their lands and tenements shall "revert to the person or his heirs who granted them to the "corporation; for the law doth annex a condition to every "such grant that if the corporation be dissolved, the grantor "shall have the lands again because the cause of the grant "faileth. The grant is, indeed, only during the life of the "corporation, which may endure for ever; but when that "life is determined by the dissolution of the body politic, "the grantor takes it back by reversion, as in the case of "every other grant for life. The debts of a corporation, "either to or from it, are totally extinguished by its dis-"solution, so that the members thereof cannot recover or be "charged with them in their natural capacities." He also referred to *Stacey v. Hill* (1901, 1 K.B. 660), Grant on Corporations, p. 303, *In re General Accident Assurance Corporation* (1904, 1 Ch. 147), *In re Taylor's Agreement Trusts* (1904, 2 Ch. 737), *In re Higginson and Dean* (1899, 1 Q.B. 325).

Mr. Hohler, for the plaintiffs, submitted that the decision of the Judge was right both as to the effect of the dissolution of the company, and as to the true construction of the contract. There was no case in which it had been suggested that a company could by its dissolution put an end to a term which had been created. The only way in which a lease could be got rid of in such a case was by a surrender, which must be by the consent of the parties, necessitating the offer and acceptance of terms. That being so, upon the dissolution of this company the lease vested in the Crown as *bona vacantia* for the remainder of the term, and the defendants were consequently liable. He cited *Ex parte Walton* (17 Ch.D. 746), *In re the Haytor Granite Company* (L.R. 1 Ch. 77), *Pryce-Jones v. Williams* (1902, 2 Ch. 517), *In re FitzGeorge* (1905, 1 K.B. 463).

JUDGMENT.

The Court allowed the appeal.

Mr. Justice Darling, in giving judgment, said that the case was a curious one and raised a difficult question. Apparently this was the first time it had occurred in a case where it was absolutely necessary to decide it. The facts were that the corporation of the borough of Hastings granted a lease to a certain company, and the company covenanted in the lease to pay the rent for a term of seven years, and the two appellants in the case entered into a similar covenant as sureties. The company assigned its lease to another company, and was ultimately dissolved. The second company, which became the assignee of this lease, was also dissolved in August 1906, and the question was whether, the company having been dissolved, the sureties were still liable to pay rent to the lessors. They undertook to pay the rent in these terms:—"The "lessees do, and each of the sureties doth for himself, "covenant that the lessees and sureties, or some or one of "them, will during the said term pay the said rent on the "dates and in the manner hereinbefore mentioned." The question they were asked to solve was whether the term had come to an end by the dissolution of the company, or whether the term still existed, and, if it did exist, whether the sureties were bound to go on paying the rent, although the lessee had gone out of existence altogether. The County Court Judge had decided that they were bound to pay. He decided really upon the ground that the case was analogous to that of the death of a single human being, and he said that if such a lessee had sureties they would have been liable, although the lessee was dead, and although he was a bastard and died without any kind of issue and intestate. He said in that case, truly enough, that the term would not be at an end, but would vest in the Crown, and the term being still alive and the sureties having undertaken to pay so long as the term endured, they would have to continue to do so. He (Mr. Justice Darling) thought that that analogy, although a specious one, was false. The death of a limited company was a figurative expression. The word used in the Companies Act, 1862, was "dissolved," and in the case of a company dissolution did not take place, as it took place in the case of a human being, with all his contracts, liabilities, and

property still upon his hands; but if one looked at the provisions made in the Act for the decease of limited companies, it would be seen that they made death a very painless affair for a company, because it was provided that before it was dissolved all its property should have been disposed of. His Lordship read Sections 142 and 143 of the Act, and, continuing, said that before dying the company was divested of everything, and it was not permitted to die until that had been done. The way in which the analogy was used by the County Court Judge seemed to take no notice of these facts. What would appear to him to be somewhat analogous would be to take the case of a single lessee who was a lessee not for years, but for life, because in such a case upon his death the term would immediately revert to the grantor of the lease. He thought the passage in Blackstone quoted by Mr. Humphrys was good law, and it was cited by Mr. Justice Wright in *In re Higginson and Dean* as being a perfectly good statement of the law on the subject. His Lordship quoted the passage in question from page 330 of the report, in 1899, 1 Q.B., and, continuing, said it seemed to him that in the present case, when the corporation was dissolved, there were no *bona vacantia* left at all to go to the Crown. The land reverted to the grantor of it, and the grantor had his whole estate again. He thought some further authority for this view was to be found in *In re Higginson and Dean*. At page 332 Mr. Justice Wright said, after quoting the opinion of Mr. Justice Story in *Mumma v. Potomac* (8 Peters, 821, at p. 286):—"This statement of the law may not perhaps be "entirely applicable in this country, but it requires con-"sideration. It might be reasonable to enact that, in "analogy to the immemorial law of executors and "administrators and the Statute of 31 Ed. III., st. 1, c. 11, "on the dissolution of a corporation aggregate all its rights, "including its rights of action on executed contracts, such "as those evidenced by bank notes or bonds, or on claims "in debt, devolve upon the Crown subject to the payment "of the corporation's own debts. It would, however, I "think, in the present state of the authorities, be judicial "legislation to declare the Crown entitled to maintain "actions in such cases, except where it can allege a trust." For the reasons he had given it appeared to him that the decision of the County Court Judge must be reversed.

Mr. Justice Phillimore said he was of the same opinion. To his mind it was quite clear that this covenant by the sureties endured as long as the term endured. Therefore what they had to see was whether the term still remained. Mr. Hohler said that it did, and he thought the County Court Judge took the same points in his judgment. The first of these points was that you can have a lease without a leaseholder. But was that so? He did not see how. A lease for a term of years was property. It was a chattel real. Could there be property which was not *proprium* to somebody? He did not think so. The second point was that the lease existed because there was a leaseholder in the person of the Crown. If the lease remained in existence after the dissolution of the corporation, there ought not to be a dissolution at all. As Mr. Justice Darling had pointed out, the Companies Act, 1862, contemplated that a corporation should strip itself or be stripped of all its possessions and get rid of all its obligations before it ceased to exist. Indeed this must be the case under the Act three months before it ceased to exist. Therefore this point ought not to arise. Suppose, however, that it did arise, and that this corporation slipped out of existence without disposing of all its property, whether advantageous or onerous to it, why should that property pass to the Crown? The Crown was entitled to *bona vacantia*, and he quite agreed that in the case described by Mr. Justice Wright in *In re Higginson and Dean* there were *bona vacantia* which the Crown might claim; but, as Mr. Justice Wright said, and as had been said by Mr. Justice Parker in another case, that only applied to personal property, and he thought both of them intended to exclude chattels real. What happened in such a case to estates and interests in land? It was well known that corporations very often received grants not merely of estates in fee simple, but of long leases. What did the law contemplate such grants as being? It considered them as being grants by which the freeholder carved some interest out of his estate. Then Blackstone said that in those cases the property in the land is held to have been given by the grantor on the implied condition that the corporation is to hold it as long as it remains a corporation. Corporations were supposed to be created for beneficial purposes, and the land was given to them for such purposes. When they ceased to exist, the public spirit of the landlord was rewarded by the property coming back to him. He did not see why there should be any distinction between a life estate, a freehold, or an estate for a term of years. In either case he thought that land given to a corporation for a particular purpose would revert to the landlord. It might be put in another way. The property was given to the corporation for a term of years if they were there to enjoy it. If the corporation ceased, the reversion was accelerated and the grantor came into possession so much the sooner. On these grounds he was of opinion that this lease ceased to exist when the lessee ceased to exist. When the lessee was a man or woman his or her personal representative might arise and take his or her position. It was only in the case of these corporations which were extinguished and had no representative that this point could arise. When it did arise, he thought the land returned to the man who gave it. He therefore thought that the liability of the sureties, which was limited to the term of the lease, had come to an end, and that the defendants were not liable.

Leave to appeal was given.

(23 *Times Law Reports*, 456.)

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Law Reports.

Accountancy and Auditing.

KING'S BENCH DIVISION.

April 30.

(Before Lord ALVERSTONE, C.J., DARLING and PHILLIMORE, JJ.

The King *v.* Roberts; *ex parte* Lawrence and others.

Local Government—Audit—Surcharge—Local Authority not accepting lowest Tender—System of checking quantities delivered—Certiorari—Jurisdiction of Court—Poor Law Amendment Act, 1844 (7 & 8 *Vict. c.* 101), *s.* 35—*Poor Law Audit Act,* 1848 (11 & 12 *Vict. c.* 91), *s.* 4—*Public Health Act,* 1875 (38 & 39 *Vict. c.* 55), *s.* 247.

These were four rules *nisi* for writs of *certiorari* to quash certain surcharges made by Mr. A. Carson Roberts, a district auditor of the Local Government Board, on members of the Finance Committee and the Highways Committee of the Westminster City Council, and also on the engineer, in respect of cheques signed by them in payment for shingle and for tenders which were not the lowest sent in. The Finance Committee had dealt with the matter of the shingle, and, though no charge of negligence was made against the Finance Committee, it was said that calculation showed that short weight must have been delivered, that the weight of the shingle as delivered by the contractors had not been properly checked, the loads being merely counted, and that payment for what had not been delivered was illegal. The Highways Committee were charged with negligence in rejecting lower tenders and accepting higher in the case of forage and boots, and so on. The persons who had been surcharged denied that there had been any negligence, and they said that they had accepted the tenders which were most advantageous to the Council. It was stated that no hardship would result to the members who had signed the cheques, as the Local Government Board would remit the amount of the surcharges. The amount of the surcharges in the case of the tenders was the amount which the auditor estimated as the loss to the ratepayers. He had asked for an explanation, and was told that the tenders were the most advantageous to the ratepayers, but no details were given. The surcharges had been made under section 247 of the Public Health Act, 1875. It was objected, in showing cause against the rules, that *certiorari* ought not to issue, as there was a remedy given by section 247 of appeal to the Local Government Board, and that if there was evidence of loss the decision of the auditor could not be questioned, it not being for this Court to deal with the weight of evidence—*Reg. v. Bolton* (1 Q.B. 66); *In re Baker* (2 H. and N. 219); *Reg. v. Knott* (15 L.T. 291); *Colonial Bank of Australasia v. Willan* (L.R. 5 P.C. 417). It was said that the case of *Reg. v. Haslehurst* (51 J.P. 645) did not conflict with these decisions. In support of the rules, it was contended that the Court could overrule the auditor if he was wrong, even though there was evidence in support of his decision, and that, in any case, the auditor had made a mistake in his calculation that there was short delivery of shingle, and that the Highways Committee had acted *bonâ fide* in the exercise of their discretion in the acceptance of the tenders.

JUDGMENT.

The Lord Chief Justice, in giving judgment, said that it was first of all necessary to consider what the jurisdiction of the Court was in respect of this matter. The question arose under section 247 of the Public Health Act, 1875, which in substance referred back to the practice under the Poor Law Amendment Act, 1844 (7 & 8 Vict. c. 101), in which the section in point was section 35. In his opinion that section gave the Court a wider jurisdiction than in the ordinary case of *certiorari*, and, reading it by itself and without the light of the decisions upon it, he should come to the conclusion that it gave the Court jurisdiction to deal with matters of fact as well as of law. That section, and also section 4 of the Poor Law Audit Act, 1848 (11 & 12 Vict. c. 91), showed that the Court had not the narrow powers as suggested by Lord Robert Cecil. The case of *Reg. v. Haslehurst*, which was binding upon them, was a distinct authority for the view that the Court had a right to review the auditor's decision, not only when erroneous in point of law, but also when erroneous in any sense. That being so, they had, then, to consider the question upon the merits. The case against the Finance Committee was very peculiar, and he desired to say at once that he could see no evidence that they had made or authorised the making of an illegal payment. Certain shingle or gravel was supplied to the Council at different places in Westminster; accounts were sent up by some officer to the Highways Committee and passed on by them with a recommendation to the Finance Committee for payment, and then cheques were signed by the members of the Finance Committee, who had been surcharged. If the question came before a Judge, he did not think it could be held that there was the slightest evidence of an illegal payment by those gentlemen; but it was said that an auditor was in a different position and had power to surcharge if he did not get a satisfactory explanation, and that this Court could not review his decision. The auditor appeared to be satisfied that the mode of checking the deliveries of gravel was lax. That might or might not be so. Taking the view that the checking was not satisfactory, the auditor seemed to have investigated for himself and had come to the conclusion that there were short deliveries. His Lordship, however, thought that the test applied by the auditor was fallacious, and he was by no means satisfied that there was any evidence of short delivery or anything beyond possibly a lax method of keeping a check upon the number of cubic yards of gravel delivered. The auditor

was doing his duty in calling attention to what he considered that lax method of checking; but if he was to say that persons had authorised an illegal payment the auditor must have some evidence before him as to that. In his (the Lord Chief Justice's) judgment the Finance Committee, when they paid upon the vouchers properly sent to them, could not be said to have made an illegal payment. The next surcharges were those made against the members of the Highways Committee, and these rested entirely upon the fact that the Committee had not accepted the lowest tenders. While the duties of an auditor under the Act which they were considering were much more important than those of an auditor of a company, he was not entitled to question the judgment of honest men who had come to a *bonâ fide* decision on these matters. Perhaps there was no better illustration of that than in the acceptance of tenders. Any one with knowledge of these matters knew that the greatest mischief sometimes came about by the acceptance of the lowest tender; and, in his opinion, it would be most dangerous to say that, given honest members of the committee (against whose character or position in the present instance not a word had been said), simply because they had not accepted the lowest tender that was *primâ facie* evidence that they had not discharged their duty. He could well imagine that there might be the acceptance of a higher tender under circumstances that would give rise to suspicion of corruption or want of good faith; but for an auditor to have assumed the responsibility of saying that the tenders in this case ought not to have been accepted and others ought to have been accepted, because on a hypothetical calculation the Council would have saved so much, would be opening the door to a most dangerous practice. The auditor was not entitled to treat the statement of the Committee that they accepted a particular tender believing it to be the best they could do as of no account, and he declined to assent to the view that an auditor, with nothing else before him beyond the fact that the lowest tender was not accepted, could treat that as evidence of misconduct or negligence. With regard to the engineer, the utmost that could be said against him was that at some stage he might possibly have devised a better system of checking the actual quantities of things delivered. His Lordship could not, however, see any evidence against him of misconduct or negligence in the question of deliveries; nor could he say that there was any such evidence against him in reference to the tenders. The whole of the rules would therefore be made absolute, although he did not regret that the matter had been investigated. He thought that the costs of the auditor and of the other gentlemen should be paid out of the rates.

Mr. Justice Darling and Mr. Justice Phillimore delivered judgment to the same effect.

(23 *Times Law Reports*, 491.)

Bankruptcies and Insolvencies.

CHANCERY DIVISION.

May 1 and 2.

(Before JOYCE, J.)

London and Westminster Bank *v.* H. Button and His Trustee in Bankruptcy.

Appropriation of Payments—Interest upon Loan—Waiver or Release of Interest—Entries in Bankers' Books not Communicated to the Customer—Bankers' Books Evidence Act, 1879 (42 & 43 *Vict. c.* 11)—*Effect of Acknowledgments by Bankrupt against his Trustee in Bankruptcy.*

The defendant Button was a customer of the plaintiff bank for a period extending over many years. The transactions between Button and the bank were entered in the bank's books in two principal accounts—the Current Account and the Loan Account. Both these accounts were secured by deposits of title-deeds, accompanied by a memorandum of charge. The bank charged interest on the Loan Account, but this interest was carried to the Current Account, and was not debited to the Loan Account. After 1883 Button ceased to pay interest, and the bank did not make any entries in respect of interest after that date in their books. From time to time after 1883 the bank received payments from Button in respect of his indebtedness, and these were carried by the bank to the Loan Account, and credited against capital. Button, however, at the request of the bank, periodically signed acknowledgments of statements of account stated by the bank to him. In these statements of account the amounts which were then due for principal and interest were set out. On the 30th of January 1901 the sum of £27,450 was debited in the Loan Account, but Button on that date acknowledged a statement showing a debt of £27,450 for principal and £24,768 17s. 3d. for interest. In 1903 Button paid £10,000 to the bank, and thereupon the bank wrote off the balance, £17,450, as a bad debt. Subsequently Button became bankrupt. In this action, which was by the bank to enforce their security, the trustee in bankruptcy disputed the liability of the estate to pay the interest claimed by the bank on the ground that the bank had waived or released this item by appropriating all payments to capital in their books, and that the bankrupt's acknowledgments were not effective against the trustee in bankruptcy. The evidence relating to the bank's entries and books which was adduced by the bank was by consent treated as evidence under the Bankers' Books Evidence Act, 1879, but the defendants, in the course of hearing, objected that such evidence was not admissible by a bank when adduced in its own favour, and when the bank was a party to the action. Joyce, J., overruled the objection, holding the evidence under the Bankers' Books Act was *primâ facie* evidence against all the world: *Harding v. Williams* (14 C. D. 197).

JUDGMENT.

Joyce, J., held that, even if there was an intention by the bank to appropriate Button's payments to capital, as to which he was not satisfied on the evidence, this appropriation would not bind the bank, on the authority of *Simson v. Ingham* (2 B. & C. 65). The bankrupt's acknowledgments bound the trustee. The case of *Re Van Laun* (1907, 1 K. B. 155) was a decision in bankruptcy, and solely related to the trustee's right to reject or admit proofs against the estate, and was not intended to affect the validity in fact of a bankrupt's admissions or acknowledgments.

(51 S.J. 466.)

Company Law.

CHANCERY DIVISION.

22 and 30 April.

(Before WARRINGTON, J.)

Re Dover Coalfields Extension, Lim.

Company—Winding-up—Director's Fees obtained as Director of another Company.

Court summons. This was an application by the liquidator of the Dover Coalfields Extension, Lim., against the chairman of that company, for an order directing him to account for certain fees received by him as a director of another company, viz., the Consolidated Kent Collieries Corporation, Lim. The Dover company was formed on the 16th of April 1901, and on the 23rd of April 1901 the signatories to the memorandum resolved on the purchase of certain shares in the Kent Corporation. On the 1st of May 1901, Cousins (the said chairman) became a director of the Dover company. On the 12th of June the board of the Dover company resolved on the purchase of 5,105 shares in the Kent Corporation. The Dover company thus became shareholders in the Kent Corporation, and the shares were transferred into the names of trustees for the Dover company. On the 11th of February 1902 Cousins was elected a director of the Kent Corporation for the purpose of looking after the interests of the Dover company in the Kent Corporation. The articles of association of the Kent Corporation provided that the qualification of directors other than first directors should be a nominal holding of 1,000 shares to be obtained within one month of election, and on the 28th of February 1902 the board of the Dover company passed a resolution that 1,000 of the shares bought as aforesaid should be transferred to Cousins, who executed a declaration of trust in favour of the company. Cousins acted as a director of the Kent Corporation and continued to hold the 1,000 shares so acquired until he 26th of February 1903, when a number of transfers were registered, of various dates from the 29th of January to the 17th of February 1903. On the 13th of December 1902 there had been transferred to Cousins 1,200 further shares in the Kent Corporation, so that he was qualified for directorship from another source. On the 29th of December 1902 a Balance Sheet to the 29th of November was sent to the shareholders, and there appeared on the asset side the cost of 5,105 shares in the Kent Corporation followed by a note that there were 1,000 shares standing in the name of Cousins as a necessary qualification. A statement that he had executed a declaration of trust was included, and that Balance Sheet was laid before a meeting of the Dover company. The Dover company was wound up in March 1903. The liquidator now claimed to be entitled to the moneys received by Cousins as director's remuneration whilst he held the shares in the Kent Corporation. He contended that it was clearly the law that an agent must account to his principal and a partner to his partner for any benefit derived in the course of the principal's or the partner's business, or from any use of the name or property of the principal or partner.

JUDGMENT.

Warrington, J.: The question to be decided is, whether a director who becomes a director of another company, and has to qualify himself by holding shares, obtains his director's fee by the use of the shares which qualify him? I do not think he does. The right to the fees does not arise from the possession of shares. This is established by the case of *Re The New British Iron Co., Ex parte Beckwith* (1898, 1 Ch. 324). He obtains his director's fees by reason of a contract of service. His obligation as a member of the company by virtue of his shares is distinct. In *Beckwith's* case (*ubi supra*) a director was treated as entitled to receive fees by virtue of an independent contract, and was allowed to prove for them. Any benefits which this director gets by virtue of the shares, viz., dividends and profits, he must account for to the Dover company. But I do not think he got his fees by means of the shares. He became a director in the interests of the Dover company, but he got his fees by acting as a director. All that an agent or partner need account for in equity is the profit he makes, and director's fees are not profits, they are payments for work. The ratio between work and fees is settled by contract between the parties. If I direct any account at all, I must do so on the footing that Cousins is entitled to remuneration at a fair rate. I can only ascertain that fair rate by looking at the bargain between the parties. I therefore hold that director's fees are not profits derived from the use of shares, and that they are not profits within the principle which compels an agent or partner to account. The Court cannot go behind the agreement for remuneration. The summons therefore fails.

(51 S.J. 466.)

CHANCERY DIVISION.

May 2.

(Before KEKEWICH, J.)

In re The Kingsbury Collieries, Lim., and Moore's Contract.

Company—Power to Sell Land—No Express Power—Implied Power under Memorandum of Association—Ultrâ vires.

Adjourned summons.

This was a vendor and purchaser summons taken out to determine the question whether the vendors had power to sell land. The vendors were a colliery company which was formed for the purpose of carrying on a colliery business and acquiring land for that purpose. The memorandum of association of the company contained no express power of sale, but it stated as one of the objects of the company the doing all such other things as are incidental or conducive to the attainment of the above objects. The company bought the land in question with a view to building cottages for their workmen, but they afterwards found it would be more convenient and more conducive to the attainment of the objects of the company to sell the land to the present purchaser under an agreement that he should build workmen's cottages thereon and lease them to the company. The land contained about three acres and the price was about £144. The purchaser objected that the company had no power to sell. The company contended that they had an implied power of sale under the memorandum of association, or alternatively that they had an inherent power as a corporation at common law.

JUDGMENT.

Kekewich, J., said he thought the case of *Johns v. Balfour* (1889, 1 Megone, 191), carried him the whole way. There the question was as to a power to purchase, and not a power to sell, and it was held that there was a power to purchase. Somewhat different considerations applied where a power of sale had to be implied. But in the present case the sale was not of the business but only of a small part of the property for the purpose of making the rest of the property more useful. The question was whether it was reasonably necessary for the company to sell; and applying that principle it would be wrong to say that they had not the power.

(L.J. 311.)

KING'S BENCH DIVISION.

May 4.

(Before LAWRANCE, J.)

Curtis, Gardner & Co., Lim. *v.* A. Cleret & Co., Lim.

Company—Authority to accept Bills of Exchange—Articles of Association.

This was an action to recover £25 on a bill of exchange. The defence was that the acceptance was not in the form authorised.

It appeared that the bill of exchange, signed by one director and the secretary of the defendant company, had been taken for value by the plaintiffs from one Nicholson, to whom it had been given by the defendants as security, and had been dishonoured on presentation.

Mr. McCardie said that the defendant company's articles of association, by section 106, only authorised cheques to be signed by one director and the secretary, while section 105 directed that the seal could be affixed only in the presence of two directors and the secretary. A bill of exchange, he argued, was different from a cheque, as in the former case there would be no counterfoil to act as a guard, nor could the bank make any objection as in the case of the presentation of a cheque. The directors of a company must act as a board. He referred to *D'Arcy v. The Tamar Company* (L.R. 2, Exchequer 158); *In re The Haycraft Gold Company* (1900, 2 Ch. 230); *In re Cunningham* (58 L.T. 16).

Mr. Hogg pointed out that the company had power by their articles of association to draw bills of exchange, and they had the power to delegate to any of their members the right to accept bills of exchange by virtue of section 47 of the Companies Act, 1862, and by article 100 of their articles, which enabled the directors to do anything which a company was authorised to do under the Companies Acts. Third parties were not concerned with the internal administration of the company. He cited *Royal British Bank v. Turquand* (6 E. and B. 327); *Biggerstaff v. Rowatt's Wharf, Lim.* (1896, 2 Ch. 93); *County of Gloucester Bank v. Ruddry Merthyr Company* (1895, 1 Ch. 629). The plaintiffs were entitled to assume, in the absence of any contrary intention manifest in the memorandum or articles of the company, that this bill of exchange was properly signed in accordance with the powers of the company and with authority.

JUDGMENT.

Mr. Justice Lawrance said that the question was whether it was enough for this bill to be signed by one director and the secretary. He thought that article 106 of the articles of association, which provided that cheques might be signed by one director and the secretary, clearly showed the intention of the company in matters of this kind, and that it applied to bills of exchange. Judgment for the plaintiffs against the defendant company, with costs on the High Court scale.

(*Times.*)

Law Reports.

Company Law.

HOUSE OF LORDS.

May 28.

(Before Lord LOREBURN, C., Lords MACNAGHTEN, ROBERTSON, and ATKINSON.)

Poole and Others *v.* National Bank of China, Lim.

Company—Reduction of Capital—Scheme—Extinguishment of Founders' Shares—Capital Lost or no Longer Represented by Available Assets—Sanction of the Court—Companies Acts, 1867 *and* 1877 (30 *&* 31 *Vict. c.* 131, *secs.* 9, 126, *and* 40 *&* 41 *Vict. c.* 26, *s.* 3).

Appeal from an order of the Court of Appeal affirming an order made by Farwell, J., granting the prayer of a petition to reduce the capital of a bank. The object of the petition was to obtain confirmation by the Court of an extraordinary resolution duly passed at general meeting whereby it was resolved "that the capital of the company "be reduced from £1,000,000 divided into 750 shares of £1 "each (founders' shares) and 99,925 shares of £10 each "(ordinary shares) to £699,475 divided into 99,925 shares "of £7 each, and that such reduction be effected by writing "off the whole amount paid or credited as paid on each of "the 750 shares of £1 each and cancelling those shares, "and by writing off £3 per share, part of the sum of £8 "per share which has been paid or credited as paid on the "40,453 shares of £10 each which have been issued, and "by reducing each of the 99,925 shares of £10 each to a "share of £7." The company was incorporated in 1891 for the purpose of trading as a bank in China and the Far East. The greater part of the capital subscribed in England was converted into dollars at an average rate of 3s. to the dollar and transmitted to Hong Kong. The value of the dollar having fallen about 1s. 8d. the directors considered that the nominal capital should be reduced to such a sum as the assets of the bank, calculated on the present value of the dollar, would meet if the assets had to be liquidated. The assets calculated on this basis showed a deficit of £142,866, and the scheme proposed to reduce this by writing off reserves to the amount of £20,757 and writing down capital in the way set out in the resolution. In the directors' opinion the commercial value of the founders' shares was *nil*, and that in the interest of the company they should be cancelled, as unless this was done it would be almost impossible to raise further capital should that appear at some future time to be desirable. All the shareholders, including the holders of founders' shares, agreed to this scheme except the present appellants. They maintained that the extinguishment of this class of shares would be in contravention of the bargain contained in the memorandum and articles of association, and therefore while they did not contend that the nominal value of the shares could not be written down they denied that they could be wholly cancelled. They also submitted that it was not conclusively proved that the liabilities exceeded the assets to the extent of the proposed reduction, and they complained that the whole of the reserve funds by some £11,000 had not been used to reduce the deficit. The appeal was argued some time back, and judgment was reserved.

JUDGMENT.

Lord Loreburn, C., in moving that the appeal should be dismissed, said he saw nothing to induce their Lordships to interfere with the conclusion arrived at by Farwell, J., and by the Court of Appeal.

Lord Macnaghten concurred and pointed out that there was a growing tendency to narrow and restrict the power to reduce capital. He referred to the *British and American Trustee and Finance Corporation v. Couper* (1894, App. Cas. 846), where Lord Herschell pointed out that neither the Act of 1867 or 1877 prescribed the manner in which the reduction of capital was to be effected, nor was there any limitation of the power of the Court to confirm the reduction except that it must first be satisfied that all the creditors entitled to object to the reduction had either consented or been paid or secured.

Lord Robertson and Lord Atkinson concurred.

Appeal dismissed.

(51 S.J. 513.)

COURT OF APPEAL.

May 16.

(Before COZENS-HARDY, M.R., BARNES, P., and BUCKLEY, L. J.)

***Re* Kent Collieries, Lim.; Day *v.* Kent Collieries, Lim.**

Company—Debentures Issued as Security for Loan—Face Value—Right to Vote.

This was an appeal from a decision of Parker, J. [36 *Acct.* L.R. p. 62]. By a trust deed dated the 24th of August 1905, and made between the company of the one part, and Sir Owen Randal Slack and Mr. Bernard Dale (as trustees) of the other part, provision was made for securing debentures for the aggregate principal sum of £150,000, which debentures were to be in the form set forth in the second schedule to the deed. The form of debenture set out was prefaced with the following statement: "Issue of £150,000 debentures carrying interest at "the rate of £5 per cent. per annum, and made in pur-"suance of a resolution of the board of directors, dated "the 24th of August 1905." The company by each debenture covenanted to pay the principal moneys secured to the

registered holder on the 1st of February 1907, or on such earlier day as "the principal moneys hereby secured" should become payable in accordance with the conditions indorsed thereon. The debentures charged all the assets of the company with the payment of the principal sums and interest thereon, and by clause 1 of the indorsed conditions each debenture was declared to be one of a series of £150,000 debentures which were all to rank *pari passu* in point of charge. By condition 7 "the principal moneys and interest hereby secured" were to be paid without regard to any equities between the company and the original or any intermediate holder thereof. The third schedule to the trust deed contained provisions regulating meetings of debenture-holders. Clause 1 of this schedule provided that a trustee, or director, or "any holder of debentures for an amount exceeding £400," might summon a meeting of debenture-holders. By clause 3 the quorum at a meeting was to be persons present in person or by proxy "holding one-twentieth of the nominal amount of the "debentures for the time being outstanding." By clause 12 at any meeting "the registered holders of the deben-"tures . . . shall be entitled to vote in respect of such "debentures." Clause 13 was as follows: "At every such "meeting each voter shall on a show of hands be entitled "to one vote only, but at a poll he shall be entitled to one "vote in respect of every principal sum of £10 secured by "the debentures in respect of which he is entitled to vote." Clause 15 empowered a meeting, by extraordinary resolution (as thereinafter defined), to assent to modifications of the rights of debenture-holders or of the provisions of the deed. Clause 17 provided that "extraordinary resolution" should mean "a resolution passed at a meeting of the "debenture-holders, at which a clear majority of the "debenture-holders should be present in person or by "proxy, duly convened and held in accordance with the "provisions herein contained, by a majority consisting of "holders of not less than three-fourths in value of the "debentures represented at the meeting, whether upon a "show of hands or at a poll." Previously to the 3rd of July 1906 all the debentures had been issued except debentures for £55,210, and on that day the rest of them, being for that sum, were issued to the London City and Midland Bank, to secure an existing loan and a future overdraft up to £25,000. A sum of about £25,000 was due to the bank at the date of the meeting below mentioned. On the 11th of December 1906 the company issued notices to the debenture-holders of a meeting to be held on the 20th of December, at which resolutions were to be proposed for extending the time of payment of the principal sums secured by the debentures, increasing the rate of interest, modifying the trust deed, and "that the company shall have power to reissue paid-off debentures." At the meeting a poll was demanded, the result of which when taken was that there were 10,850 votes in favour of, and 2,996 votes against, the resolution. Amongst the votes in favour of it were 5,521 votes given by the nominees of the bank. Objection was taken that the bank's nominees were not entitled to votes in respect of the face value of the debentures held by the bank, but only in respect of the amount of the actual indebtedness of the company to the bank, but the chairman of the meeting declared that the resolution was passed. An action was accordingly commenced by a debenture-holder on behalf of himself and all other the debenture-holders against the company and the trustees of the deed, and in this action the plaintiff moved for an injunction to restrain the defendants from acting on the resolution. It was also contended that the resolutions were *ultra vires* the company, there being no power to reissue debentures which had been paid off. Parker, J., was of opinion that votes in respect of the face value had been rightly allowed. If this construction was not adopted considerable inconvenience would result, for there would, on each occasion of a meeting being held, have to be an inquiry as to what was due to persons who had lent money on the deposit of debentures. On the first point, therefore, he held that the votes in respect of the bank's debentures had been validly given. On the second point, it had been decided that, when a company had issued debentures forming a series ranking as a *pari passu* security, and some of the debentures had been paid off, the company could not reissue them. But the question was whether what it was proposed to authorise the company to do was something which could not lawfully be done, or whether an inaccurate expression had been used for giving authority to issue debentures in the place of those paid off in such a way as to make them rank equally with the outstanding debentures. The maxim *Verba ita sunt intelligenda ut res magis valeat quam pereat* applied to this part of the case. He accordingly dismissed the motion. The plaintiff appealed.

JUDGMENT.

The Court dismissed the appeal with costs.

(51 S.J. 498.)

CHANCERY DIVISION.

May 10, 11, and 13.

(Before JOYCE, J.)

The Fine Cotton Spinners' and Doublers' Association, Lim., and another *v.* Harwood Cash & Co., Lim.

Company—Name—Similarity to Name of Existing Company—Assignment of Name of Individual to Company does not Confer Individual's Rights of User—Injunction.

Action.

John Cash & Sons, Lim., who were co-plaintiffs in this action, were the successors of a firm of John Cash & Sons,

carrying on business at Mansfield as cotton doublers and spinners of fine yarn, and were incorporated as a limited company before being amalgamated with other firms as the Fine Cotton Spinners' and Doublers' Association, Lim. Upon their incorporation John Harrison Cash, the proprietor of the business of John Cash & Sons, assigned to the company the goodwill and trade-marks of his old business. He also agreed that he would not for a period of twenty-one years engage in or permit or suffer his name to be used in connection with any competing business. John Harwood Cash, the only son of John Harrison Cash, was one of the employees of John Cash & Sons, and was retained by the plaintiffs as manager at Mansfield until April 1906, when he resigned. Shortly after this he formed and registered the defendant company for the purpose of carrying on at Mansfield a similar business to that carried on by the plaintiffs.

The plaintiffs thereupon commenced this action, and claimed an injunction to restrain the defendants from carrying on a business similar to that of the plaintiffs, under the name or style of Harwood Cash & Co., Lim., or any other name or style so nearly resembling the name or style of the plaintiff company of John Cash & Sons, Lim., or the name or style of the business formerly carried on at Mansfield by John Cash & Sons, as to be calculated to mislead the public into the belief that the defendant company was the same as the plaintiff company, and to restrain the defendant company from carrying on business under any name of which the word "Cash" formed a part, without clearly distinguishing their business from that of the plaintiff company.

Evidence was given to show that the similarity of the names of the two companies would inevitably cause confusion, and there was some evidence that confusion had already occurred.

JUDGMENT.

Joyce, J., in giving judgment, said it was quite clear that John Harwood Cash, on severing his connection with the plaintiffs, might have set up in business either as John Harwood Cash & Co. or Harwood Cash & Co. Not being restrained from carrying on business, he was entitled to carry on business in his own name, and set up, if he chose, next door to his old firm. But that was not what he had done; for without trading himself he had formed a new company to carry on a similar business under the name of Harwood Cash & Co., Lim., and had allowed his name to be incorporated in that of the new company, the defendants. There was evidence that the similarity of name might lead to deception. Under these circumstances the new company had not the rights which an individual of that name might have, and had no legal right to the name of "Cash." The right given by a man to a company to use his name as part of their title did not give to the company the same rights which he would have had. The case was covered by *Tussaud v. Tussaud* (1890, 59 L.J. Rep. Ch. 631; L.R. 44 Ch.D. 678). There would be an injunction as prayed, with costs against the defendant company.

(L.J. 361.)

Miscellaneous.

COURT OF APPEAL.

April 24.

(Before FLETCHER MOULTON, and BUCKLEY, L.JJ.)

S. Mason, Lim. v. Lovatt.

Arbitration—Remuneration of Arbitrator—Evidence—Discretion of Taxing-master—Arbitration Act, 1889 (52 & 53 *Vict. c.* 49), *s.* 15, *subsection* 3.

Appeal from an order of Ridley, J., in chambers, affirming an order of the District Registrar of Birmingham. An action was referred to a surveyor as arbitrator. The hearing before the arbitrator occupied a number of days, and the arbitrator, when certain points of law arose, took the advice of a firm of solicitors and a barrister. He had been told by the parties that he might take legal advice on questions of law. The arbitrator made an award in favour of the defendant, and ordered the plaintiffs to pay the costs. The arbitrator's charges were comprised in the award, and included a charge of ten guineas a day for his remuneration as arbitrator, and £110 6s. for fees paid for legal advice. There was no taxation of the arbitrator's solicitors' bill of costs. Upon taxation of the costs of the arbitration, the District Registrar was of opinion that five guineas a day was fair remuneration for the arbitrator, and that the fees for legal advice were too high, and he reduced the amounts accordingly. Ridley, J., affirmed the decision of the Registrar. Upon appeal, affidavits of surveyors were read to the effect that a fair remuneration for the arbitrator, who was a surveyor in good position, to charge was ten guineas a day.

JUDGMENT.

The Court allowed the appeal. They held that the fees paid by the arbitrator for legal advice had been properly paid by him; and, as to the arbitrator's remuneration, the evidence was all one way, that ten guineas a day was a fair sum to charge for an arbitrator belonging to the particular profession and occupying the position which he occupied in it. The District Registrar was not entitled to disregard that evidence and to substitute a personal view of his own as to what was fair remuneration. The arbitrator therefore was entitled to charge those sums.

(51 S.J. 444.)

Receivership.

COURT OF APPEAL.

May 8.

(Before COZENS-HARDY, M.R., and KENNEDY, L.J.)

Re **William Walker and** *Re* **the Acts 53 Vict. c. 5 and 54 & 55 Vict. c. 65.**

Lunatic—Receiver—Bond—Surety—Death of Lunatic—Receipts after Death—Liability of Surety.

This was an appeal from a decision of Master Fischer directing that the accounts of the committee of the above-named William Walker should be taken up to the date of the last receipt and payment by him. William Walker was declared incapable of managing his own affairs by an order dated the 16th of June 1896, and James Dalton was appointed to let and manage the freehold and leasehold property of the lunatic, and to receive and give a discharge for the rents and profits thereof. The property in question, and the only estate of the lunatic, consisted of ten freehold shops at High Street, Norwood, and a strip of land at the rear thereof used as garden ground. Proceedings were subsequently taken to obtain the discharge of Dalton and the appointment of C. W. Skinner in his place, and by an order dated the 26th of February 1904 Skinner was appointed receiver, and authorised to exercise, in addition to any powers granted to Dalton and not yet exhausted and carried out, all the powers of a committee of the estate as in the case of a person of unsound mind so found by inquisition. By bond dated the 25th of April 1904 Skinner and the Ocean Accident and Guarantee Corporation were bound in the sum of £300 to answer the receipts of the receiver. On the 25th of March 1906 the lunatic died. On the 26th of March 1906 Skinner transmitted his accounts up to the 25th of December 1905, but by reason of the death the vouching was postponed until the final order was made. By certificate dated the 26th of April 1906 it was certified that the will of the lunatic had been lodged at the Probate Registry. On the 1st of December 1906 letters of administration, with the will annexed, were granted to the daughter of the deceased. On the 14th of December 1906 the final order was made discharging the receiver's bond on payment of the balance found to be due to him. It appeared that at the date of the death there was in Skinner's hands a sum of £200 14s. 6d. After the death he had collected the July and September rents, and at the date of the final order there was due from him the sum of £370 17s. 9d. Skinner had left the neighbourhood, and there was no possibility of obtaining any payment from him. In these circumstances it was contended, on behalf of the Guarantee Corporation, that the certificate should not be given in the common form, but that a certificate should be given that £200 14s. 6d., being the amount in Skinner's hands on the 25th March 1906, was due, and that, as the death *ipso facto* terminated the authority of Skinner, the administratrix could only look to Skinner himself as executor *de son tort* for payment of the balance. Master Fischer was of opinion that Skinner was liable for the whole sum as receiver. The Guarantee Corporation appealed.

JUDGMENT.

The Court allowed the appeal.

Cozens-Hardy, M.R.: This appeal raises a curious and important point, but looking at it as a matter of principle it seems to me that the matter is reasonably clear. The lunacy jurisdiction is, of course, a very peculiar one. It is vested in persons who are entrusted with authority, and it is dependent upon a continuance of the lunacy and, therefore, necessarily, in one event upon the continuance of the existence of the lunatic himself. By that I do not mean, of course, that a receiver or a committee is not liable to account after the death of the lunatic. That would be an absurdity too gross to contemplate. To take the common case of a receiver appointed in a suit; if that suit is dismissed the receiver is still liable to account under the order of the Court for moneys which he has in his hands obtained by him while receiver during the pendency of the suit. In the same way the death of the lunatic does not in the least operate to release the committee or receiver from accounting for anything which he receives in that character. But this case goes further; the committee or receiver, after the lunatic's death, and with the knowledge of his death—whether that be important or not, I do not think it matters here—went on and received rents and profits of the late lunatic's estate. It is said that he is accountable in the lunacy in his character of receiver or committee for the rents so received, and Master Fischer has proposed in issuing his certificate to include those receipts. The sureties under the surety bond say, "That is "not so, we were only sureties for the committee for the "payment of rents received by him in that character; we "are not liable after the death of the lunatic for receipts "which it was no part of his duty as committee or receiver "to receive; they are receipts which undoubtedly render "him liable to account to the true owner, but with which "the lunacy jurisdiction has nothing to do." That is the way it is put, and on principle I can see no answer to it. I asked what would happen if the lunatic in this case had been simply tenant-for-life instead of owner in fee. The order appointing the committee or receiver would have been in the same common form. It really could not be said that after the death of the lunatic the committee would have any right to say that the rents which he received must be taken to have been received by him as committee or receiver and must, therefore, be paid into the lunacy account. Then reliance was placed, in support of Master Fischer's decision, in the language of the bond and of the final order of the 14th of December 1906, but I do not think they bear out the respondent's contention. The appeal must be allowed.

Kennedy, L.J., delivered judgment to the same effect.

(51 S.J. 482.)

Law Reports.

Administration.

CHANCERY DIVISION.

May 14.

(Before KEKEWICH, J.)

In re **Wedmore; Wedmore** *v.* **Wedmore.**

Will—Legacy—Abatement—Legacy Given in Satisfaction of a Debt.

This was a petition for distribution of trust funds, and raised a novel and interesting question whether a legacy given in satisfaction of a debt abates with general legacies. It appeared that the testator bequeathed to the trustees of his daughter's marriage settlement the sum of £3,000 in satisfaction of the testator's covenant to pay the sum of £1,000 therein contained. The testator's estate was insufficient to pay all the legacies in full. It was contended that the legacy in question was like a legacy given in lieu of dower, and therefore did not abate.

JUDGMENT.

Mr. Justice Kekewich said that notwithstanding that they were told that there was nothing new under the sun, novel points of law were constantly arising, and the present case was novel to this extent, that there was no direct authority on the point. The question was one which one would have thought would have come before the Court for decision again and again, but no case was to be found directly in point. The question stated shortly was this—The testator by his will gave to his daughter the sum of £3,000 in satisfaction of the testator's covenant to pay £1,000 to the trustees of her marriage settlement, and the question arose whether the legacy ought to abate. The case was covered by *dicta* in two text-books, which were constantly referred to for guidance. One was "Williams on Executors," 10th ed., p. 1,093, where it was said:—"The general rule is that among "legacies in their nature general . . . there is no pre-"ference of payment; they all abate together. . . . But "this must be understood only as among legatees who are "all volunteers; for, if there be any valuable considera-"tion for the testamentary gift, as where a general legacy "is given in consideration of a debt owing to the legatee "or of the relinquishment of any right or interest, as of her "dower by a widow, such legacy will be entitled to a "preference of payment over the other general legacies." The other text-book referred to was "Theobald on Wills," p. 810, where it was said:—"As between general "legatees, legacies given for valuable consideration, as for "debts or instead of dower, have priority." A similar statement of law was said to be found in White and Tudor's "Leading Cases in Equity," 7th ed., vol. 1, p. 841, but no authority was there cited which was not to be found in the other two text-books. It was curious that not one of the cases cited in support of the above statements of law decided the question as regards debt. They did decide that legacies given instead of dower did not abate, but none of them really touched the question whether a legacy given for a debt abated. There was only one case which was at all near the point—viz., *Davies v. Bush* (1 You. 341.) Was it possible to extract a principle from the cases cited? In *Davenhill v. Fletcher* (1 Amb., 244) a case of *Blower v. Morret* (2 Ves. Sen. 420) was referred to where the Court directed an inquiry whether the widow was entitled to dower, and made a declaration that, if she was, she should have the legacy without abatement, and the Master of the Rolls in *Davenhill v. Fletcher* followed the law so laid down. That was illustrated by *In re Greenwood* (1892, 2 Ch. 295). So far as it was possible to make out any principle it was to be found in *Davies v. Bush* (1 You. 341), where it was stated in the course of argument that "where a legacy is given to a widow in lieu of dower the "Court considers her a purchaser of the legacy and will "not look to the value of the dower." That seemed to be the foundation of the rule, whether it was a principle or not a principle. If that were the right view, was there any rule for extending the rule to a legacy for debt? The case of *Davies v. Bush* did not go so far as that, and, as the point did not call for decision, it was not a binding authority. Could the present case be brought within the rule? Dower was an interest of a peculiar character, its value was not determined, and, though it would be wrong to say it could not be valued, it was difficult to do so. Here there was an ascertained debt. In one sense the legatee might be considered a purchaser, but it was not at all like the case of dower. It was known precisely what was the debt and what was the legacy, and it was impossible to apply to such a case considerations which applied to dower. The legatee had elected to take the larger sum, and she took it as bounty. It did not differ from the general legacies. She took the whole £3,000 as a legacy under the will, and it was subject to any rule which affected general legacies. It must, therefore, abate with the other legacies.

(23 *Times Law Reports*, 547.)

Company Law.

KING'S BENCH DIVISION.

June 5 and 6.

(Before PARKER, J.)

British Vacuum Cleaner Co., Lim., v. New Vacuum Cleaner Co., Lim.

Company—Registered Name—New Company—Similarity of Name—Descriptive Words—Injunction—Companies Act, 1862 (25 & 26 *Vict. c.* 89), *s.* 20.

Trial of action. This action was commenced under the following circumstances: In the year 1903 the British Vacuum Cleaner Co., Lim., was formed with the object of taking over the business of an existing company called the Vacuum Cleaner Co., Lim. That business consisted of manufacturing and working a machine which cleaned furniture, &c., by means of suction produced by a vacuum and operating through pipes. The inventor of the machine, one Booth, had obtained letters patent for the machine in the year 1901. The plaintiff company acquired a large business and advertised extensively. In the year 1906 the defendant company was incorporated with the object of operating a process of vacuum cleaning patented in the year 1904. The machine employed differed materially from that used by the plaintiff company, but it also acted by means of a vacuum and pipes. The new process was not any infringement of Booth's patent. The defendant company was incorporated under the name of "The New Vacuum Cleaner Co., Lim.," and carried on business at premises two doors from the plaintiff's premises. The object of this action was to restrain the defendant company from using the expression "vacuum cleaner" as part of its name, so as to make the public believe that there was a connection between the two companies. The plaintiffs contended that what the public desired was to have goods cleaned by a special process through the plaintiff company, and not merely by a special process. That the name of the defendant company had led to confusion, and that mistakes had in fact occurred. That the name had never been applied to any machine before the plaintiffs made use of it; this was not a case where the name was already recognised and familiar. That the defendants could have chosen another name equally suitable to their business, and this was a case of deliberate piracy. The defendants contended that they were entitled to call their machines "vacuum cleaners." That it could not be said that during the existence of the plaintiff company that name had acquired a secondary meaning. That the mistakes which had actually arisen were attributable to the fault of the plaintiffs in choosing a descriptive name, and that the defendants were at liberty to use words descriptive of their machines.

JUDGMENT.

Parker, J. (after reviewing the facts stated above): This action is to some extent an action under section 20 of the Companies Act, 1862. The point I have to decide is whether the use of this name by the defendant company is (having regard to the fact that there is already on the register a company called "The British Vacuum Cleaner Co.") calculated to deceive. It is necessary to consider both the circumstances and the law. In considering the question whether the name is likely to deceive, the first question is whether the same principles are applicable as in ordinary cases of passing off, where one has to consider whether a particular class of goods is likely to deceive. It has been contended that the principles differ. Whether or not there is any distinction between the principles, it is clear from the case of *Aerators, Lim. v. Tollitt* (1902, 2 Ch. 319) that the principles are analogous. With regard to questions such as arose in the cases of *Reddaway v. Banham* (1896, A.C. 199) and *Cellular Clothing Co., Lim. v. Maxton* (1899, A.C. 326), I think a distinction must always be drawn between cases where a word is a word of common and ordinary use descriptive of an article and cases where it is more or less a fancy word or primarily does not relate to the person who makes the article. In the case of *Reddaway v. Banham* the fact that the expression in question had acquired a secondary meaning was held to be established, and an injunction was granted. One of the features in that case was a letter showing a dishonest intent and an admission that a secondary meaning did exist, and it thus became easier to prove the facts necessary to justify the granting of an injunction. In *Cellular Clothing Co., Lim. v. Maxton* (*ubi supra*) it was held that the plaintiffs had not sufficiently established that a secondary meaning existed, and there are remarks showing that the onus of proving the existence of a secondary meaning is not light. I should like to make special reference to the judgments of Lord Shand and Lord Davey in that case. I think Lord Davey's observations apply to the particular case where a patentee has given a generically descriptive name to a process and an article, and someone else invents another species of the same genus. If those principles are to apply, I have to consider what there is about the description "The New Vacuum Cleaner Co., Lim.," which is likely to deceive, and what the plaintiffs have to prove. They have proved that a great many of their own lady customers are in the habit of writing to them as "The Vacuum Cleaner Co., Lim. (omitting the word "British"), and I think they have also proved that since the registration of the defendant company, and perhaps before, the words "vacuum cleaner" were associated with the machines made under Booth's patent, and with the machines which they themselves worked at private

houses. It remains to be seen whether, in the public mind, the words "vacuum cleaner" or "vacuum cleaning process" have acquired a subsidiary or secondary meaning. The evidence shows those words to be descriptive of a particular kind of cleaner, and as long as the plaintiffs were the only manufacturers and the only people who dealt in and used the cleaner the public would think that the machine was theirs. But I do not think that the name has ever been anything else to the public than a descriptive name. While it was the only machine manufactured it could not be said that it was distinguished from another machine. I do not therefore think that any secondary meaning was acquired. It appears to me that the plaintiffs did prove some confusion in the public mind on three occasions. They also called two witnesses whose evidence was that they would have been deceived by the name of the defendant company. I do not think that a multiplication of witnesses in that respect would be of any importance. The Judge must decide for himself. The last point proved by the plaintiffs was that a witness had seen on two shops two doors from each other the names of the plaintiff and defendant companies, and had supposed that there had been an enlargement of the plaintiff's premises. I think that a normal man would draw an opposite conclusion and think that there were two rival companies. Plaintiffs finally contend that the defendants have shown an intent contrary to fair dealing. That proposition is evidenced thus: It appears that two of the plaintiffs' employees deserted and went to the defendants, from whom they received the same wages and also a commission. There is no evidence that the defendants induced them to enter their service. Of course, it is well known that you cannot prevent servants from deserting to a rival company, and the law regards that as fair. Then it is said that the defendants have opened a branch two doors from the plaintiffs' branch. There is nothing to prevent that being done. With regard to the application of the principles laid down, if a company incorporates in its name descriptive words it cannot claim a monopoly of those words. If there were any such monopoly the law would need alteration. The defendants, having invented a new vacuum cleaner, desire to put before the public a name descriptive of the article to distinguish themselves and it. Is this name sufficient to do so? With regard to the question of the intention of the defendants, their choice is accounted for by the fact that the name is descriptive. I cannot infer that the use of the name was contrary to good faith, and I think that the word "new" makes the name sufficient to distinguish the defendants. I do not think that the defendants' name is likely to deceive in fact. I should like to remark that the policy of the plaintiffs has been to create subsidiary companies to work Booth's patents in limited areas, and they have created local companies, all such companies having been incorporated with names which include the words "vacuum cleaner." Though their licences are limited to particular areas, there is no other reason why they should not compete with the plaintiff company. The plaintiffs cannot therefore say that the use of the words "vacuum cleaner" is likely to lead to confusion. Even if the plaintiff company's name was merely "The Vacuum Cleaner Co.," it does not appear to me that another company being called "The New Vacuum Cleaner Co." would lead to confusion. The result is that the action fails.

(51 S.J. 553.)

Miscellaneous.

KING'S BENCH DIVISION.

June 8.

(Before DARLING and A. T. LAWRENCE, JJ.)

Curtice *v.* London City and Midland Bank.

Cheque—Countermand of Payment—Cheque to Banker—Telegram Stopping Cheque put into Letter Box—Notice of to Banker—Bills of Exchange Act, 1882 (45 & 46 *Vict. c.* 61), *s.* 75.

The plaintiff, who was a farmer residing at Edenbridge, was a customer of the defendants at their branch bank at Willesden Green. On the 31st of October 1906 the plaintiff bought three horses of one Jones in London, the horses to be delivered at Charing Cross on that day at 3.30 p.m. for the 4.14 p.m. train to Edenbridge, and the plaintiff gave Jones a cheque for £63, drawn upon the defendants at their said branch bank. The horses did not arrive at Charing Cross. The plaintiff went to Jones's stables and, thinking Jones's explanation unsatisfactory, on his return to Charing Cross telegraphed at 5.30 p.m. to the defendants at their said branch to stop the cheque for £63. The plaintiff returned to Edenbridge and wrote to the defendants confirming his telegram that night, but only handed it to the rural postman on the next morning, the 1st of November. The telegram despatched from Charing Cross arrived at the Willesden High Road Post Office at 6.2 p.m. on the 31st of October, and, as was found as a fact by the County Court Judge in the action hereinafter mentioned, was put into the letter-box of the defendants' branch bank after office hours on the 31st of October and was overlooked by the cashier in clearing the box on the morning of the 1st of November. On the 1st of November the defendants paid the plaintiff's cheque for £63 on presentation (through another bank). On the morning of the 2nd of November the cashier of the defendants' said branch bank, after clearing the letter-box, brought to the manager the plaintiff's telegram and also his confirming letter. The plaintiff received the three horses, and subsequently sold them, but he stated he was unable to trace Jones. On an action for £69 7s. 7d. money had and received—the plaintiff's account with the defendants—the County Court Judge, having found that the telegram was overlooked

stated above, held that the defendants must be taken to have received the telegram stopping the cheque on the morning of the 1st of November, when they opened their letters for that day, and he gave judgment for £69 7s. 7d., less £5 admitted set off, and less £43 the proceeds of the sale of the horses. The defendants appealed, and they contended on the appeal (1) that a telegram unconfirmed was not a countermand of payment within the meaning of section 75 of the Bills of Exchange Act, 1882, and that a cheque cannot be stopped by a telegram unconfirmed; and (2) that on the County Court Judge's finding of fact the defendants as bankers had no notice on the 1st of November, when they paid the cheque, of any countermand of payment, and that the authority and duty to pay the cheque had not been withdrawn.

JUDGMENT.

The Court were unanimous in holding that a telegram was a countermand of payment within the meaning of section 75 of the Bills of Exchange Act, 1882, and that a cheque can be stopped by a telegram even if not confirmed by letter; but they differed upon the other point raised by the appellants.

Darling, J., was of opinion that the telegram to stop the cheque was a countermand of payment communicated to them on the morning of November 1st, as the plaintiff had done all he could to stop the cheque, and the bank would have known of the revocation before paying the cheque if the cashier had emptied the box on the 1st of November. To hold otherwise would mean that the plaintiff would have to show that the order to stop had been brought to the mind of the defendants.

A. T. Lawrence, J., was of the contrary opinion—that the telegram was not a good countermand of payment within the meaning of section 75 until the defendants knew of it by reading it. The action was not one for damages for negligence. And it could not be said that the sum was money had and received to the use of the plaintiff when it was paid away on his order without knowledge of any countermand by him.

The appeal, therefore, was dismissed.

(51 S.J. 554.)

Partnership.

2975-15

COURT OF APPEAL.

June 6.

(Before VAUGHAN WILLIAMS, MOULTON, and BUCKLEY, L.JJ.)

Wheatley v. Smithers and another.

Partnership—Trading Firm—Auctioneers—Bill of Exchange—Authority to Bind Firm—Partner to Sign Bills specified in Partnership Deed—Acceptance by other Partner.

Appeal by the plaintiff from a judgment of a Divisional Court (reported 75 L.J. Rep. K.B. 627; (L.R. (1906) 2 K.B. 321).

The action was brought against the defendants, T. H. Smithers and W. Alcock, who formerly carried on business in co-partnership under the style of "Smithers & Alcock," as acceptors of a bill of exchange for £50, dated May 9 1905, drawn by P. Lancaster, payable two months after date to the order of P. Lancaster and indorsed to the plaintiff, who sued as holder in due course. The Judge of the City of London Court found that the bill was accepted by Alcock in the firm-name without any authority from his partner Smithers; that at the time when the bill was accepted Smithers and Alcock were carrying on the business of auctioneers in co-partnership, and the bill was accepted in respect of a joint adventure—the purchase of a public-house—between Smithers and Alcock outside the scope of the partnership business; and that Alcock purposely concealed from Smithers the fact that he had accepted the bill. He gave judgment for the defendant Smithers upon the ground that a firm of auctioneers is not a trading partnership so as to confer upon one partner the power to bind another partner by accepting a bill of exchange without authority in the firm-name in respect of an adventure outside the scope of the partnership business.

The Divisional Court (Ridley, J., and Darling, J.) affirmed the decision of the learned Judge.

The partnership deed provided for the carrying-on of the business of auctioneers and valuers by the defendants as partners, and all cheques, bills, or other writings pledging the credit or affecting the property of the partnership were, under clause 6, to be signed by Smithers and by him only. The purchase and sale of goods was dealt with by clause 9.

JUDGMENT.

Their Lordships, without expressing any opinion as to whether or not the decision of the Divisional Court that auctioneers are not traders was right, allowed the appeal upon the ground that the terms of the partnership deed showed that the defendants contemplated that bills of exchange would be drawn, accepted, and indorsed in the course of carrying on the partnership business of auctioneers, and that, as it was impossible upon the facts of the case to draw the inference that the transaction in respect of which the bill in question was given was one outside the partnership business, the plaintiff was entitled to succeed.

Appeal allowed.

(L.J. 395.)